THE CO-OPERATIVE MOVEMENT IN GREAT BRITAIN

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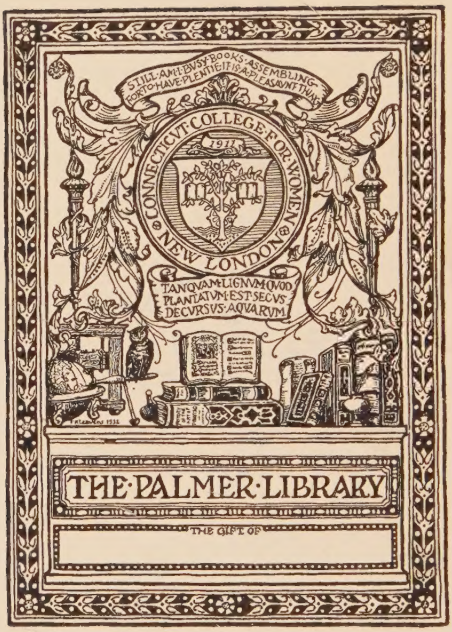
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THE CO-OPERATIVE MOVEMENT IN GREAT BRITAIN

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"THE literature of Co-operation is already voluminous, and perhaps some might doubt whether its volume can for the present be profitably increased. That doubt will very soon be abandoned by anyone who takes up Miss Beatrice Potter's luminous and suggestive little volume, contributed to the 'Social Science Series,' and entitled, *The Co-operative Movement in Great Britain*. Miss Beatrice Potter writes with a strong social faith; we might, indeed, call it, in a sense, socialistic, if the word were not ambiguous, and, therefore, liable to misconstruction, and apt to create a prejudice. But she writes also with a profound knowledge of the industrial movement of her time, with a clear-sighted capacity to distinguish its essence from its accidence, and with a firm grasp of essential economic principle. Her study of the co-operative movement 'as one form of democratic association—as one aspect of that larger movement towards an Industrial Democracy, which has characterised the history of the British working-class of the nineteenth century'—is, therefore, not a mere bald, historical chronicle, but a thoughtful and pregnant study of tendencies, causes, and effects."—*The Times.*

"The whole volume is full of suggestion, both to co-operators and to politicians. It does not express the final word, but it is without doubt the ablest and most philosophical analysis of the co-operative movement which has yet been produced."—*The Speaker.*

"A book written by a vigorous thinker, brimming over with ideas and suggestions."—*The Westminster Review.*

"Miss Beatrice Potter's work is searching and scientific, bearing witness throughout of patient study and vigorous and independent thought."—*The Daily Chronicle.*

"Co-operation has suffered a good deal from the somewhat indiscriminate enthusiasm of its admirers, and there was much need for a calm and sympathetic account of its history, its present position, and its prospects. Such an account Miss Beatrice Potter has given."—*The Academy.*

"A first-rate piece of work."—*The Trade Unionist.*

"Fascinating and readable, and throws a great flood of light upon a movement that is only half conscious of its own characteristic features."—*Industries.*

THE CO-OPERATIVE MOVEMENT IN GREAT BRITAIN

BY
BEATRICE POTTER
(Mrs Sidney Webb)

Webb, Beatrice (Potter) "Mrs. Sidney Webb," 1858–

LONDON
GEORGE ALLEN & UNWIN LTD.
MUSEUM STREET

First Published 1891
Second Impression 1893
Third Impression 1895
Fourth Impression 1899
Fifth Impression 1904
Sixth Impression 1907
Seventh Impression 1910
Eighth Impression 1914
Ninth Impression 1920
Tenth Impression New Preface) 1930

334
W381

Printed in Great Britain by The Riverside Press Limited
Edinburgh

"*Opinions govern men.*"

ROBERT OWEN.

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https://archive.org/details/cooperativemovem0000beat

PREFACE.

THIS little book was published forty years ago; it has never been revised or brought up to date, and yet it persists in being read, and threatens to outlive its author. Moreover, it is still being translated into additional foreign languages, despite the fact that the Webbs have published, in 1921, a far more searching and detailed analysis of the Consumers' Co-operative Movement.[1] Seeing that this may be my last chance of welcoming a reprint of my first venture in the making of books, I will tell the manner of its birth and suggest a reason for its international circulation.

When in the eighties I began my career as a social investigator, the outstanding problem was the continuance of poverty in the midst of riches. There was, in fact, a growing

[1] *The Consumers' Co-operative Movement*, by Sidney and Beatrice Webb: Longmans, Green & Co., 1921.

uneasiness, amounting to conviction, that the industrial organization which had yielded rent and interest and profits on a stupendous scale had failed to provide a decent livelihood and tolerable conditions for a majority of the inhabitants of Great Britain. "This association of poverty with progress," argued Henry George in 1883, "is the enigma of our times. It is the central fact from which spring industrial, social and political difficulties that perplex the world, and with which statesmanship and philanthropy and education grapple in vain. . . . So long as all the increased wealth which modern progress brings goes but to build up great fortunes, to increase luxury and make sharper the contrast between the House of Have and the House of Want, progress is not real and cannot be permanent. The reaction must come. . . ."[1]

But was there no practicable alternative to the dictatorship of the capitalist in industry, and the reduction of all other participants in production to the position of subordinate "hands"? For it was persistently asserted

[1] *Progress and Poverty: An Inquiry into the Cause of Industrial Depression and of Increase of Want with Increase of Wealth—The Remedy*, by Henry George, 1883, pp. 6, 7.

that there was such an alternative. In this quest I did not turn to the Socialists. *Fabian Essays* were still unwritten and unpublished; and such Socialists as I had met at the East End of London belonged to the Social Democratic Federation and were at that time preaching what seemed to me nothing but a catastrophic overturning of the existing order, by forces of whose existence I saw no sign, in order to substitute what appeared to me the vaguest of incomprehensible Utopias. There was, however, another alternative, lauded by idealists of all classes: by leading Trade Unionists, by the more benevolent of employers, by Liberal and Conservative philanthropists, and even by revolutionary Socialists—an experiment in industrial organization that was, so it was reported, actually being brought into operation on a small scale by enthusiastic working men themselves. This was the fascinating ideal of the self-governing workshop; an organization of industry in which the manual workers owned the instruments of production, controlled the processes of their own industry, and shared among themselves the entire net product of their combined labour.

It was in order to test the truth of this claim that I began my investigation into the Co-operative Movement.

Now the whole value of this little book rests on two discoveries—discoveries which attracted little attention at the time in Great Britain, but which were increasingly verified by events of the next decades, and became therefore excellent propaganda for starting or strengthening similar movements in other countries, notably in Germany and in Russia. The first of these discoveries was that the British Co-operators had mistaken the origin and the aim of their own movement and misunderstood its place in the reorganization of society. The second discovery was that the Consumers' Co-operative Movement, great as were its potentialities, needed to be supplemented by the growth of Trade Unionism and completed by a compulsory organization of citizen consumers in the municipality and the state, to carry out services for which the voluntary association of consumers was incompetent.

My first discovery had really some resemblance to that of the child in Hans Andersen's story, who looked at the king

when all the courtiers were declaring their admiration of his regal robes, and exclaimed that the monarch was, in fact, naked! The co-operators who, with the assent of their intellectual supporters and admirers, kept on asserting that the object of their movement was the abolition of the wage system and the organization of industry in the interest of the manual working *producers*, had, in fact, by 1889, built up a great industrial organization of a hierarchical character exclusively in the interest of working-class *consumers*. Far from abolishing the wage system, what they had done was to extend it to the brain-worker. What they had abolished was the profit-making *entrepreneur*! Yet at congress after congress the co-operators refused to recognize the transfiguration of their own movement. What I did was to point out this transfiguration, whilst at the same time I explained and justified it.

And here I should like to acknowledge the debt I owe to a remarkable working man—J. W. Mitchell—who became my friend whilst I was studying the working of the Co-operative Wholesale Society, the central business

organization of the Co-operative Movement. It was my wont to seek occasions of meeting, in an informal way, the persons actually engaged in the administration of the organization I was observing. "Three or four times I have dined with the Central Board," I write in the MS. diary, 28th March 1889. "A higgledy-piggledy dinner; good materials served up coarsely, and shovelled down by the partakers in a way that is not appetizing." (I may remark, in passing, that the only woman present was expected to do the carving.) "But during dinner I got a lot of stray information, mostly through chaff and rapid discussion. Occasionally I am chaffed, in a not agreeable way, about matrimony and husbands, and the propriety of a match between me and Mitchell. But it is all good-natured, and I take it kindly. After dinner, in spite of the Chairman's disapproval, we smoke cigarettes, and our conversation becomes more that of business camaraderie."

"Mitchell, Chairman of the C.W.S.," I write another time, "is one of the leading personalities in the Co-operative Movement. . . . He is an enthusiast for the consumers'

interests—a sort of embodiment of the working-man customer, intent on getting the whole profit of production, out of the hands of the manufacturer and trader, for the consumer. . . . As the representative of the Wholesale, he is inspired by one idea—the enlargement and increased power of the organization of which he is the head. He supports himself on the part proceeds of a small woollen business and draws perhaps 30s. a week from the Wholesale, to which he devotes his whole energies. With few wants (for he is an old bachelor) he lives in a small lodging, eats copiously of heavy food, and drinks freely of tea—no spirits and no tobacco. Corpulent, with a slow, bumptious pronunciation of long phrases, melting now and again into a boyish *bonhomie*. . . . He is a good fellow, and in his inflated way a patriotic citizen, according to his own ideal—the consumers' welfare. . . ." [1]

To one who had been bred in a stronghold of capitalism the Consumers' Co-operative Movement seemed a unique romance in the

[1] MS. diary, 21st-28th March 1889 (quoted in *My Apprenticeship*, by Beatrice Webb, 1926, pp. 359-60). For a biography of this remarkable personality see *John T. W. Mitchell*, by Percy Redfern.

industrial history of the world. For this closely knit organization of hundreds of retail shops, grouped into two colossal trading and manufacturing federations, was being administered by men of the manual working class, at salaries which at that time did not exceed, and frequently fell below, the earnings of a skilled compositor or a foreman engineer. How could I explain, by the canons of capitalist economics, the continuous growth of a great business enterprise, which was not making the private fortunes of any man or group of men, but was increasing the individual incomes, the accumulated wealth and also the economic freedom of a whole self-governing community, to-day (1930) comprising between one-third and one-half of all the families of Great Britain ; engaged in mining and growing and manufacturing, as well as in importing and distributing, and not omitting all the services of banking and nearly all the forms of insurance ; returning annually to its consumer-membership more than £21,000,000 sterling, and still, as at all times, effectively open to any newcomer to join and participate in its benefits on equal terms with the original promoters ?

Notice, too, the astonishing and continuous growth of this unique organization. In 1889 the total sales of the Co-operative Societies in Great Britain were, in round numbers, £26,000,000 sterling, and the total capital at the disposal of the Movement was only about £15,000,000, with a membership of less than one million. Forty years later, in 1929, the total sales exceeded £216,000,000 sterling, the total capital of the Movement came near £150,000,000, whilst its membership amounted to more than six millions. And this continuous development in Great Britain can be matched with a no less remarkable expansion of the same Movement among many other countries —in Germany and Scandinavia, in Switzerland and Russia. Is there any form of social organization that can show an equal growth?

My second discovery was that democracies of consumers, if they are to be a desirable as well as a practicable alternative to private profit-making, must be complemented by democracies of workers by hand and by brain —that is, by Trade Unions and professional societies. In attending the committee meetings of local Co-operative Societies, or lunching

with the directors of the Co-operative Wholesale Society, I noticed that these administrators were completely absorbed either in discussing what their members were buying and would in future buy, or in discovering how the commodities or services could be produced at a lower cost and of a better quality. Unless the manager of the store reported the dishonesty or incapacity of a shop assistant, or unless a threat of a strike disturbed the equanimity of the Board of the Wholesale Society, they were "absent-minded" about the conditions of employment of the rapidly increasing staff of the local stores and manufacturing departments. A subordinate official would normally select whatever additional staff was required, at whatever wages he found it necessary to pay, under conditions not differing essentially from those of neighbouring shopkeepers or manufacturers. The natural bias of the committees of management, like that of all administrators, was to "maintain discipline" and keep down costs. They inevitably tended to ignore the way this maintenance of discipline and lowering the cost of production might affect the daily life

of the employees. Though the Co-operative society meant to be a "good employer" (and did, in fact, sometimes lead profit-making enterprise in such boons as the weekly half-holiday), it never occurred to Co-operative committees to allow the workers concerned any "rights" beyond what was customary in profit-making establishments. The position was rendered more serious by one fact—that in the eighties and nineties all commercial employees, and more especially the shop assistants, were about the lowest paid, the hardest worked and the most arbitrarily treated of the wage-earning class; whilst the managers of the manufacturing departments of the stores and the Wholesale Societies found themselves in direct competition with the notorious sweated industries of cheap clothing and cheap furniture.

For these and other reasons it became clear to me that the existence of strong Trade Unions, enforcing standard rates and the normal working day, and protecting the individual from arbitrary fines and capricious dismissal, was as essential to the economic welfare and sense of personal freedom of the

worker within the consumers' Co-operative Movement as it was in profit-making industry. Thus "government from above" had to be supplemented by "government from below."

There was, however, another limitation to the sphere of the Co-operative Movement, based as it was on a voluntary association of consumers—a limitation which I might not have perceived without the intervention of another student of social institutions. For whilst planning my little book I became aware that I lacked not only historical background but also any adequate appreciation of municipal institutions. A friendly woman journalist suggested that among her acquaintances there was a young man "who knows everything." Hence the meeting in January 1890 of Sidney Webb and Beatrice Potter. What else happened between them is irrelevant to this Preface. But he and I put our heads together —a fusion of thought which has continued for over forty years—and worked out the relation between Consumers' Co-operation on the one hand, and on the other the ever-extending social services of the Municipality and the State. We quickly realised that the first

need of a Democracy is to have a practicable constituency—that is to say, a sufficiently stable and clearly defined body of members, able to exercise continuous control over their executive organ; and this not only with respect to policy in the abstract, but also with respect to the application of the policy, from time to time, prescribed by the electorate. Experience has proved that the consumers of household requisites, within a given neighbourhood—the housekeepers who day by day are in and out of the Co-operative Society; who hour by hour are testing, by personal consumption, the quality of the goods supplied; who are able to attend the members' meetings and become acquainted with the candidates for representation on the governing bodies of the store and of the federal organizations—form such a practicable constituency. But it can hardly be suggested that the millions of persons who send letters and telegrams, or who travel or consign goods and parcels by a nationalized railway system, could be marshalled into an effective voluntary Democracy for controlling the management of the post office and railway service. Similarly,

the hundreds of thousands of separate individuals who travel on the tramway service of London or any other great city would be an impossible electoral unit for the constitution of a voluntary tramway authority. Further, many municipal services, like education and medical treatment, are actually used, at any one time, by only a small minority of any community, but are necessarily paid for by the community as a whole; whilst the interdependence of all the municipal services one with the other—of education with public health, of drainage with the water supply, of housing with transit and parks, of roads with the building regulations—would make a number of separate *ad hoc* bodies for the management of each service a cumbrous, if not impossible, form of Democracy. Finally, there is the question of the monopoly value of certain factors, such as land or coal; and that of the common enjoyment of others, such as the air and the supplies of pure water. Each of these entails the consideration of other interests besides those of any conceivable body of local consumers of particular products. For all these reasons it seemed that whilst the

appropriate sphere of voluntary associations of consumers may be of great importance and may still be capable of vast and indefinite expansion, yet this sphere has its limits. Society has, in fact, to fall back, for the remainder of the services that it needs, on the obligatory association of the inhabitants of particular geographical areas, not as consumers but as citizens—that is to say, upon Local and Central Government.[1]

Despite this dry-as-dust summary of the argument, I confess to a sentimental feeling about the last chapter of this book. It was the first essay in our lifelong partnership; and, unsuspectedly, it forecast the subject-matter of our subsequent researches. For, looking back on the last forty years, I realize that our work has been mainly concerned, in conjunction with the Co-operative Movement with the structure and function of Trade Unionism and professional organization, and of government, local and central. And passing from economic theory to practical politics, it

[1] A more detailed analysis of what is practicable and desirable in the social organization of democratic communities will be found in *A Constitution for the Socialist Commonwealth of Great Britain*, 1925, by Sidney and Beatrice Webb.

is perhaps not altogether beside the mark to observe that the members of His Majesty's Government in Great Britain to-day (1930) are in office because they particularly represent the combined membership of the Trade Unions, the Co-operative Societies, and Socialists grouped in constituencies, all united in adherence to the ideal of the Co-operative Commonwealth, outlined in the concluding pages of this book.

BEATRICE WEBB.

PASSFIELD CORNER,
LIPHOOK, HANTS.
November 1930.

PREFACE TO THE FIRST EDITION.

MY object in the following pages has been to describe briefly the origin and growth of the British Co-operative Movement as one form of democratic association—as one aspect of that larger movement towards an Industrial Democracy which has characterized the history of the British working class of the nineteenth century. Hence it was essential to my purpose to present the reader with a general view of the condition of the working class in the first decades of this century brought about by the Industrial Revolution, and with a general idea of the spirit of association which resulted therefrom. The first two chapters are therefore, to a certain extent, introductory; the history of the British Co-operative Movement beginning, at page 39, with an account of the early Co-operative Corn Milling Societies, or the Union shops.

I have to acknowledge the extreme kindness

with which Mr. Benjamin Jones (Manager of the London Branch of the Wholesale Society) and Mr. J. C. Gray (Secretary of the Co-operative Union) have overlooked my proofs and have supplied me with information which could not have been otherwise obtained. I am also indebted to the secretaries of various Co-operative Societies for the readiness with which they have answered questions addressed to them.

The table of the "Relative Progress of the Co-operative Movement" has been prepared by Mr. Frederick Oldman, and the percentages of Co-operative sales, per hundred of population, have been worked out by him on figures supplied by Mr. Whitehead, of the Co-operative Union.

BEATRICE POTTER.

8th May 1891.

PREFACE TO THE SECOND EDITION.

FOR this second edition I have done no more than correct a few verbal inaccuracies, and add an index kindly prepared by Mr. George Turner of the Working Men's College.

I have made no attempt to bring the information relating to the Associations of Producers up to date. Since the returns of 1889-90, upon which my classification is based, I believe that about eight out of the fifty-four societies therein analysed have ceased to exist. On the other hand, a new crop of young societies has sprung up. Amid the kaleidoscopic changes which are characteristic of this phase of the Co-operative Movement I have preferred to leave unaltered my attempted portraiture of the position as it was in 1889-90.

B. W.

December 1892.

CONTENTS.

CHAPTER I.

THE CO-OPERATIVE IDEA . . . . . PAGE 1

CHAPTER II.

THE SPIRIT OF ASSOCIATION 32

CHAPTER III.

THE STORE 59

CHAPTER IV.

FEDERATION 84

CHAPTER V.

ASSOCIATION OF PRODUCERS 117

CHAPTER VI.

A STATE WITHIN A STATE 170

CHAPTER VII.

THE IDEAL AND THE FACT 205

CHAPTER VIII.

CONCLUSION 224

APPENDIX.

PAGE

I.—Classified Tables of Associations of Producers 242

II.—Extract from Letter from D. F. Schloss 246

III.—Table of Percentages of Co-operative Sales per Hundred of Population, worked out in various Counties and Parliamentary Divisions of Counties of Great Britain. The Failures of Co-operative Stores for Twenty Years given in Counties 246

IV.—Table of the Relative Progress of the Co-operative Movement 251

Index 257

THE CO-OPERATIVE MOVEMENT.

CHAPTER I.

THE CO-OPERATIVE IDEA.

IT is satisfactory for Englishmen to observe, that the Co-operative Idea, the faith which inspired the first English Socialists and which became the life-blood of the Co-operative movement was purely British in its origin. The belief in a co-operative system of industry arose in the untutored mind of Robert Owen, and, doubtless, in the minds of other Englishmen, as they watched the doings of the stupendous revolution in industry and commerce which engrossed the energies, stimulated and governed the activity, of the middle and working class from 1770 and onwards. The initial effect of this social convulsion became apparent in the first fifteen years of this century. Whole districts were transformed from a country of homesteads, bordering commons and scattered far and wide among pastures and corn-fields, into a land thickly planted with cities, towns, and suburbs : a whole class of middling folk, small owners and tiny capitalists, had been changed into opposing

armies—the rich and the poor. The Napoleonic wars (that other great event of the early part of this century) had ended successfully for us in 1815. Towards the end of that year the Tory Ministry signed the treaty of Paris which banished Napoleon to St. Helena and established English maritime supremacy. The fear of foreign invasion was at an end, but civil war seemed imminent. Mobs of starving factory hands paraded the manufacturing towns; secret societies honeycombed with sedition and conspiracy sprang up with amazing rapidity among the better paid artisans. Early in 1817 the Ministry, triumphant abroad, virtually declared, by suspending the Habeas Corpus Act, and passing virulent coercion bills through Parliament, England in a state of civil war. Excited by these events, thoughtful men of all classes turned their attention from foreign politics to the state of their country and the condition of their countrymen.

Now the changes which were the outcome of the industrial revolution were many sided and clothed themselves in multitudinous forms. Each man approached the question from his own point of view, and summed up the total effect as good or bad according to the facts he chose to observe. Broadly speaking, two leading theories resulted from these various observations, depending on the beholder's satisfaction with, or dissapproval of, the effects of the industrial revolution, the creed of universal competition on the one hand, and the faith in a possible co-operative system, to replace competition, on the other. Let us listen to these rival students, examine their facts, and test their theories.

First the political economist would note the broad facts of increased population and increased wealth. The English people in 1760 numbered some six millions ; in 1820 they had increased to fourteen millions ; and they were adding one million every five years to their numbers. Next, glancing at the Custom House returns, he would see that whereas in 1760 our imports were valued at £10,000,000 and our exports at £15,000,000, in 1820 our imports were valued at £31,000,000 and exports at £41,000,000. England had, therefore, in the course of two generations, doubled her population and trebled her trade. But the politician would here interpose ; he would remind the student of returns and tables that for twenty-five years of this period England had fought the battle of the world and sustained with her treasure the whole of Europe against the greatest military genius of the age, at the head of a people of twenty-six millions, inspired by an almost religious fervour for revolutionary conquest. And as a token of her lavish expenditure on her own armaments and on those of her allies, she was paying annually £32,000,000 to her creditors—this gigantic tax levied on her industry and commerce while she was monopolizing the markets of the world and preparing to form with her surplus wealth and surplus population a "Greater Britain" beyond the seas.

The merchant or manufacturer would have a more personal and concrete proof of the advantageous character of the industrial revolution. He would remember the little shop in a Manchester back street from which his father despatched agents with Irish yarn and raw cotton to the homesteads of the

weavers. He would recollect the master manufacturers arriving in the morning with bundles of cotton cloth, he would see them stepping over the way with his father for a dinner and a chat at the public to discuss with equal interest the prospect of their little crops of corn, hay,or potatoes, or the chance of an order for cotton goods from a London firm, while he himself would spend the afternoon with the apprentices in packing and labelling the goods for London, Bristol, Norwich and the Chester Fair. And contrasting these humble memories of his youth with his present circumstances, the manufacturer would reflect with pride on his great factory employing some five hundred hands and working day and night at his pleasure ; or the merchant would point to his warehouse stocked with samples, ready for the inspection of agents and shippers from all parts of the country, and to all parts of the world. If either the one or the other cared to supplement their memory, they could compare their well-kept ledgers with the dirty note-books of their predecessors ; the manufacturer would calculate that one spinner in his factory turned out two hundred times as much as the cottage spinner of 1760 ; while the trader would smile as he handled the illiterate receipts of shop assistants of bygone days, and laid them side by side with the piles of bills on foreign and colonial houses pigeon holed daily by expert clerks, or discounted by the cashier at the neighbouring bank. And as an outward and visible sign of this two hundredfold productiveness of labour, of this industrial conquest of foreign lands, manufacturers and traders would dwell pleasantly in fine establishments surrounded by home

farms and newly planted parks; they would visit at appropriate intervals their factories and their warehouses, entertaining their customers with a fine vintage of old port; they would ponder over Stock Exchange quotations and invest in financial companies and foreign mines; or perchance they would pay down a good round sum towards the expenses of a Radical candidate for the suffrages of the county freeholders as a set-off to the social exclusiveness of the county magnates. But to this personal satisfaction with this best of all possible worlds, they would add the proud consciousness of contributing to the glory of their country. They might with truth exclaim, in the words of Macculloch's Dictionary: "The skill and genius by which these astonishing results have been achieved have been one of the main sources of our national power; they have contributed in no small degree to raise the British nation to the high and conspicuous place which she now occupies." Inspired by these noble sentiments, they would hasten to sign the Merchants' Petition to the House of Commons in 1820—a petition in favour of free trade and non-interference, and embodying in a terse proposition the creed of universal competition: "That the maxim of buying in the cheapest market and of selling in the dearest, which regulates every merchant in his individual dealings, is strictly applicable as the best rule for the trade of the whole nation."

Now the economist, the politician, the manufacturer and the merchant, were right from their own point of view. The industrial revolution had meant to England national existence and national growth

freedom from foreign invasion and control, freedom to become the workshop of the world, freedom to ply her trade and to extend her people and her language over all the continents. Neither was this the sum total of the good it had effected. The underlying principle of the industrial revolution—the creed of universal competition—the firm faith that every man free to follow his own self-interest would contribute most effectually to the common weal, with the converse proposition that each man should suffer the full consequence of his own actions—this simple and powerful idea was enabling a rising middle class to break up and destroy those restraints on personal freedom, those monopolies for private gain, with which a Parliament of landowners had shackled the enterprise and weighted the energies of the nation. It is true, at the period immediately before us, the middle class had attacked those restraints only which interfered with their own action. Excise taxes on cotton goods, custom duties on raw material, laws of apprenticeship and legally fixed rates of wages and prices—all these things they had swept away. But combination among working men, emigration of artisans, and the exportation of machinery whereby a rival market was created for artisans' labour, remained penal offences. The worker obliged to sell his labour in a market rendered artificially dear by restrictions on his personal liberty, was forced to buy his food in a market heavily taxed for the support of a parasitic class of landowners. If, however, we cast our eyes over the events of future years, we shall see that middle-class reformers proved true to the faith that

was in them. It was to a small knot of middle-class economists, and not to working-men leaders, that the workers owed the repeal of the combination laws, the repeal of laws preventing the emigration of artisans, and exportation of machinery; it was the great manufacturing interest that obtained the repeal of the oppressive taxes on the people's food. By the potent magic of pure logic the competitive idea released social rights one by one from the grip of irresponsible authority and cleared the way for the advent of the democracy. Socialists as well as Democrats will admit that the policy of *laisser faire*, was the safest course for a Government which in no sense represented the will and the wants of the people.

There was, however, another side to the picture. Capitalist employment, aided by machinery and mechanical power, introduced new methods of production and a new class of producers. The typical manufacturer of old England worked with his own hands, and employed as subordinate labour his family and sometimes a limited number of apprentices and journeymen. In that case the apprentice became in due course a journeyman, the journeyman a master. There existed no permanent and life-long division between employers and employed. All the processes of production were carried on under the manufacturer's roof; he owned both the means of production and the product he created; while he, his family, the journeymen and apprentices, enjoyed together the fruits of their toil. With a limited number of workers and the inconsiderable output of the handicraftsmen, supplying the easily ascertained wants of

their near neighbours, over-production on a large scale was impossible. With few wants and plenty to supply them, each man worked according to his strength and convenience. For the manufacturer usually owned or rented a few acres; when he failed to exchange his manufactured goods advantageously for the provision of the market, he and his family deserted the spindle and the loom, and betook themselves to the farm and the garden, raising sufficient food to support them in health and rude comfort until the demand for the manufactured article was keen enough to afford profitable exchange. It is true the manufacturers were as a class, even in the 18th century, ignorant, unversed in the arts of civilized life, with few interests beyond the routine of daily work, varied by the rough and somewhat barbarous sports of national holidays. Their farming was slovenly, the land yielding a fraction of what was afterwards extracted from it under a capitalist system of cultivation; their labour, whether in agriculture or manufacture, added little to the wealth of the nation, if that wealth be measured in commodities. But they handed down to their descendants vigorous bodies, and honest, healthy characters; they formed for the community a veritable reserve fund of human energy.

This condition of society was slowly changing throughout the 18th century. The long peace, improved means of communication, the opening up of colonial markets, the utilisation of iron and coal in close juxtaposition—these and other causes favoured the appearance of the capitalist intent on adding to his capital by the profitable exchange of labour and commodities. In the textile trades this embryo

capitalist would advance raw material to the manufacturers, take from them their finished goods, and sell these at a profit in a distant market. In other trades he would gather men into a workshop, supply them with tools, and set each journeyman or apprentice to one part of a job, so that all workers might attain the maximum speed and skill. As the capitalist paid each man wages equal to what he had before earned as an individual worker, while he took from this co-operating body of workmen the whole product of their labour, it is obvious that he made a clear gain of the surplus yielded by the use of improved tools and by the greater skill and speed of specialized workers. Moreover, these early capitalists reaped the whole advantage from the opening out of markets by the political and commercial enterprise of the whole nation. Thus before the era of machinery the capitalist organizer had partially succeeded in divorcing the producer from the instruments of production and the means of subsistence. But he dealt with a body of workers whose numbers were limited by semi-feudal restrictions. The adult worker was still the chief instrument of production. In return for his labour he could exact from the capitalist a liberal allowance for himself and his family.

With the introduction of machinery and with the substitution of mechanical for human power as a motor force, the dependence of the workers on the capitalist became complete.

The prime instrument of production ceased to be the adult worker; it became the automatic machine to which a pair of human hands were a needful appendage. The manufacturer, no longer the manual

worker, was the owner and director of the factory, while the workers, apparently divested in the public mind of body and soul, became simply the "hands" manipulating the machinery which they could not control. The greed of gain, the passion for wealth, excited by social ambition and by an enjoyment of luxury hitherto unknown, overpowered the thoughts and feelings of middle and upper class Englishmen. The spirit of invention and improvement, the growing power of the mercantile class, the political necessities of the country—all laboured with concentrated force for the attainment of one great object: the production of material wealth.

Henceforward cash payment became the sole nexus between the capitalist and the workers. To employers, who rarely visited their factories, the labour of man, woman and child, appeared a commodity to be bought at the cheapest rate, and to be consumed, like the coke with which they stoke their furnace, with the least wear and tear to the machinery. The simplicity and small size of the earlier cotton-spinning machines fitted them for being tended by "the supple and docile fingers" of children; while women had sufficient strength to direct the power-loom. The quick depreciation of costly machinery rendered long hours "desirable"; little children were dragged from their beds and set to mind it from twelve to fifteen hours out of the twenty-four, forced to conquer physical exhaustion and mental weariness by the ever-present fear of the overseer's lash. The whole body of factory operatives worked, ate, and slept at the despotic call of the factory bell. According to the creed of universal competition, this was

"suffering the consequences of their own character and circumstances." The feverish haste of modern industry, buying its raw material on credit, and providing goods for a distant and unknown market, now absorbed all available labour (stimulating the increased population by high wages), then flung back into the ranks of the unemployed the labour it had created. One by one, mediæval regulations, fixing wages or limiting the number of apprentices, were repealed or became inoperative. A degraded poor law provided the capitalist with material in the form of pauper children, and took from them human refuse in the shape of prematurely aged workers.

Swiftly and silently there arose in the land a great army of destitute beings: fathers and sons who had been replaced by wives and children, groups of handicraftsmen displaced by machine minders—an army recruited, after each period of depression, by a mass of workers of both sexes and all ages, demoralized beyond recovery by starvation and ignorance. During periods of steady trade, this rising proletariat became the irresistible means whereby the capitalist levelled down the wages of the average worker to the bare subsistence of the individual, and yoked all members of the family into his service. Hence the appalling law of Malthus—population perpetually pressing on the means of subsistence—this newly developed fact was repeated glibly by the economist of the market-place as an everlasting ordinance of Divine justice.

With the upgrowth of dense populations around the factories of Lancashire and Yorkshire, among the mines and potteries of the Northern counties and the Midlands, the capitalist employer conceived the idea

of controlling the expenditure as well as the labour of his hands. He turned landlord and shopkeeper, fixed the price of provisions and the rent of cottages, and deducted both alike from the weekly earnings of the worker. This was the much vaunted freedom of contract between man and man. Among a multitude of feeble bodies and untaught minds—men, women and children — gathered together in one district, the individual whose earnings were most considerable, we are told by a contemporary historian, was a girl of sixteen years of age, a stunted, poor, unhealthy-looking creature, apparently unfit for work of any sort. This was universal competition as a method for securing to the race the survival of the fittest. "Why do large undertakings in the manufacturing way ruin private industry?"[1] asks an astute Scotch economist of that period. And he answers, with laconic briefness, "by becoming nearer to the simplicity of slaves." It was in watching this slaughter of the innocents, this gradual debasement of his fellow-countrymen, that Robert Owen became a Socialist, and conceived the idea of a co-operative system of industry to replace the unrestrained competition of modern trade.

It would be out of place here to tell the wonderful romance of Robert Owen's life. It is, however, essential to remember that he was no mere visionary enthusiast elaborating fine theories in his study. He was a hard-headed self-made man—a man whose career represented in minature the chief events of the

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[1] "Princ. Pol. Econ., vol. i. p. 167. (London, 1767. Sir James Steuart.)

industrial revolution. Apprenticed early to a retail shopkeeper, at nineteen years of age he had saved sufficient to start as a small master in the Manchester machine-making and cotton-spinning trade. Quickly realizing that the "new industry" required large masses of capital, he abandoned the nominal independence of a small master to become the manager of a large factory; from the position of manager in one firm he became managing partner in another, until he succeeded to the absolute control of the large spinning-mill at New Lanark. It was here he tried his first experiments in practical economics. He raised the wages of his workers, reduced the hours of labour from seventeen to ten a day, prohibited the employment of children under ten years of age. He provided free education, free amusements, cheap provisions, good cottages for his workpeople and their families. At first his fellow-manufacturers watched with contemptuous amazement the deeds of this Don Quixote of the cotton trade; his partners sought separation from this crack-brained philanthropist intent on personal ruin. He answered these theoretical objections to the Socialist programme —good wages, short hours, free instruction and free amusement—by showing, in the course of four years, a profit of £160,000, besides paying 5 per cent. on capital employed and raising the selling value of the factory 50 per cent. It was therefore as a king of profit makers that Robert Owen appealed to his fellow-manufacturers in the following words:—

By the following details I give of the management of the New Lanark Mills, you will find that from the commencement I viewed the population, with the mechanism and every other part

of the establishment, as a system composed of many parts, and which it was my duty and interest so to combine as that every hand, as well as every spring lever and wheel should effectually co-operate to produce the greatest pecuniary gain to the proprietors.

Many of you have long experienced in your manufacturing operations the advantages of substantial, well-contrived, and well-executed machinery.

Experience has also shown you the difference of the results between mechanism which is neat, clean, well arranged, and always in a high state of repair; and that which is allowed to be dirty, in disorder, without the means of preventing unnecessary friction, and which therefore becomes, and works, much out of repair.

In the first case the whole economy and management are good; every operation proceeds with ease, order, and success. In the last, the reverse must follow, and a scene be presented of counter-action, confusion, and dissatisfaction among all the agents and instruments interested or occupied in the general process, which cannot fail to create great loss.

If, then, due care as to the state of your inanimate machines can produce such beneficial results, what may not be expected if you devote equal attention to your vital machines, which are far more wonderfully constructed?

When you shall acquire a right knowledge of these, of their curious mechanism, of their self-adjusting powers; when the proper mainspring shall be applied to their varied movements, you will become conscious of their real value, and you will readily be induced to turn your thoughts more frequently from your inanimate to your living machines; you will discover that the latter may be easily trained and directed to procure a large increase of pecuniary gain, while you may also derive from them high and substantial gratification.

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Indeed, after experience of the beneficial effects from due care and attention to the mechanical implements, it became easy to a reflecting mind to conclude at once that at least equal advantages would arise from the application of similar care and attention to the living instruments. And when it was perceived that

inanimate mechanism was greatly improved by being made firm and substantial,—that it was the essence of economy to keep it neat, clean, regularly supplied with the best substance to prevent unnecessary friction, and by proper provision for the purpose to preserve it in good repair,—it was natural to conclude that the more delicate, complex living mechanism would be equally improved by being trained to strength and activity, and that it would also prove true economy to keep it neat and clean, to treat it with kindness, that its mental movements might not experience too much irritating friction ; to endeavour by every means to make it more perfect ; to supply it regularly with a sufficient quantity of wholsome food and other necessaries of life, that the body might be preserved in good working condition, and prevented from being out of repair or falling prematurely to decay.

Failing to convince his fellow-manufacturers, he appealed to the Government to alter the conditions of the working classes throughout the country. It is to Robert Owen we owe the idea of a factory act. In 1816, he pressed on the consideration of a Committee of the Commons a Bill limiting the hours of all factory labour to ten and a half a day, forbidding the employment of children under ten years of age, and instituting a half-time system for those under twelve. It is needless to say the committee rejected this drastic measure. But largely owing to his ardent advocacy, a Factory Act was passed in 1818, which, though practically ineffectual, served as a lever for future agitation and as a useful precedent for more stringent regulation. It was Robert Owen who proposed a national system of free and compulsory education and the establishment of free libraries ; it was he who suggested to provincial authorities that they should undertake the housing of the poor ; it was he who advocated municipal or county organization of labour. In truth,

109608

Robert Owen was the father of English Socialism—not the Socialism of foreign manufacture which cries for an Utopia of anarchy to be brought about by a murderous revolution, but the distinctively *English* Socialism, the Socialism which discovers itself in works and not in words, the Socialism that has silently embodied itself in the Factory Acts, the Truck Acts, Employers' Liability Acts, Public Health Acts, Artisans' Dwellings Acts, Education Acts—in all that mass of beneficent legislation forcing the individual into the service, and under the protection of the State.

So far we have considered Robert Owen as a man of action. Successful in the application of Socialist principles to a population of 2,000 persons at New Lanark, he had attempted through "this example in practice" (to use his own words) "to induce the British Legislature to enact such laws as would secure similar benefits to every other part of the population,—laws which would prevent the majority of Englishmen from being trained in gross ignorance and surrounded by temptation." He failed with the Government, as he had failed with his brother manufacturers. There remained only one other course by which he could realize, on a large scale, his economic and social ideal, by establishing communities of voluntary associates, who would accept his views and practise his doctrines. It was in this attempt that he became the founder of the Co-operative movement.

I will not detain the reader with a description of the communities actually established by Robert Owen and his followers. These communities, promoted and supported by upper and middle-class men, are in no way connected with the rise of the great working-class

organization—the Co-operative movement. Robert Owen appealed to the working class rather as the prophet of a future State, than as a practical reformer. In the papers, pamphlets, periodicals which he spread broadcast, with munificent energy, into the homes of the people, he presented to his fellow-countrymen a moral ideal and economic theory accepted with fervour by the most ardent reformers of the time. For men of the calibre of Lovett, Hetherington, Watson (the leaders of the Chartist movement), of Charles Howarth and William Cooper (the originators of the modern Co-operative movement), drew their inspiration direct from Robert Owen, and acknowledged it.

Thus two separate and important branches of social reform—the socialistic legislation of the last fifty years on the one hand, and the Co-operative movement on the other—sprang out of the teaching of Robert Owen—the apostle of a "New System of Society." A brief analysis of the distinctive features of his philosophical position, and a rapid statement of his scheme of social reform, is therefore essential to the historical treatment of the Co-operative movement.

But I shall not attempt to discuss the scientific soundness of Robert Owen's views. I shall aim solely at a clear statement of his theory, so that the reader may estimate, in future chapters, whether or no, or to what extent, the Co-operative Idea has been realized in the Co-operative movement.

In the address to the superintendents and manufacturers (quoted above), and in the "Essays on the Formation of Character," to which it was prefixed, Robert Owen elaborated the principles of his socialist faith, and shadowed forth his Co-operative system.

The precept "that every man should be left to suffer the consequences of his own action," he emphatically denied. In reply to the advocacy of universal competition as a process of natural selection absolutely essential to the progress of the race, he declared that it was the duty of those "who have influence in the affairs of men" (by which he meant the employers or the Government) "to form the character of their dependants by placing them in healthy moral, and enjoyable surroundings." In short, though Owen admitted the presence of inherited faculties, his peculiar tenet was a strong conviction that the principal factor in the formation of character was the physical and mental environment of the individual from birth upwards. Hence his unbounded belief in the effect of education. Indeed, he went so far as to assert: "that any general character, from the best to the worst, may be given to any community, by the application of proper means, which means are to a great extent at the command and under the control of those who have influence in the affairs of men."

Now I think we shall best understand the radical distinction between the "Creed of Universal Competition," and the "Co-operative Idea," if we reduce these two rival theories to their biological equivalents. The economist of the market-place, in his advocacy of Universal Competition, was groping after the biological law of the survival of the fittest through the struggle for existence. This struggle for existence, he virtually declared, was the sole factor of economic progress. The Socialist Reformer, on the other hand, was expressing in colloquial language the equally true and important biological fact: the modification of structure

I have purposely emphasized the first principle of Robert Owen's social philosophy because it underlay his practical scheme of social regeneration as well as his theoretical position. He steadfastly denied that the politics and enterprise of the nation should be directed solely to the acquisition of territory abroad and to the accumulation of wealth at home. He affirmed as the only basis to a science of politics, that the one legitimate object of society is the improvement of the physical, moral, and intellectual character of man. The wealth of the nation was no longer the goal of political and economic action; it was simply a means to an end—the formation of a noble character in the citizen.

But though Political Economy was thus reduced to a subordinate division of Social Science, Owen elaborated a definite economic theory upon which he based his "New System of Society." Broadly speaking, his logical position might be stated thus: All wealth is the result of human effort; the sole object of wealth is the satisfaction of human desires; human desires should be gratified with a view to improving the quality or increasing the quantity of human effort. From these propositions he deduced a theory of equitable exchange and an informal theory of consumption. Now it is exactly this theory that co-operators both of the First and Second Movements attempted to introduce into industry. I have therefore gathered up the broken ends of economic principle scattered throughout his voluminous writings and joined them together, as best I could, in a consecutive form, so as to give a general idea of his old economic position.

Now the keystone of Robert Owen's Co-operative system of Industry was the elimination of profit, and the extinction of the profit-maker. Profit upon cost price he considered as the origin of all evil, the potent cause of the misery of the poor and the greed of the rich, the ever-abiding incentive to industrial war between individuals, classes, and nations. The profit-sharing schemes which have found favour with the latter-day school of co-operators would have been denounced by Robert Owen as an attempt to spread the contagion of profit-seeking to the working classes. "Profit upon cost price," he exclaims, "can only be obtained when demand is equal to, or exceeds supply, while the interests of society require that supply should at all times exceed demand."[1] He cited as an example of the competitive system of individual and conflicting interests, based on profit and carried out by the profit-maker, the condition of England in 1817, the ominous fact that the cessation of a destructive war caused factories and machinery to become valueless, while bands of workers roamed the country in absolute starvation. He argued that under a true system of general and united interest over-production could not exist; for when the wants of all citizens were supplied, the surplus energy and wealth of the community could be devoted to the better education of the children, to the development of the intellectual and artistic faculties of the whole body of the people, to the technical improvement of manufactures, or to the development of trade.

Accordingly we find Owen planning a scheme of

[1] An Explanation of the Causes of Distress, 1823.

the equitable exchange of commodities according to the cost of production. "Profit on price," he contended, was realized by selling one commodity at above the cost of production, or buying another commodity at below the cost of production, a fraudulent appropriation of the possessions of the consumer, on the one hand, or a fraudulent withholding of the earnings of the producer on the other. It is clear, therefore, the economic groundwork of Robert Owen's new system of society was a peculiar analysis, or rather determination of the cost of production.

The cost of production, represented to Robert Owen's mind, the wages of capital (past human effort) and the wages of labour (living human effort) Now he calculated the wages of capital and the wages of labour on precisely the same basis. In the case of fixed capital in the form of instruments of production, the wages consisted in the amount required to keep the machinery and buildings in an efficient state of repair, to insure against trade risks and depreciated value, and to provide for progressive improvements of mechanical contrivances, so as to take full advantage of the inventive talent of the community. Circulating capital, in the form of commodities or raw material, were transformed through consumption into living energy—a mere transformation of matter into force. Labour, which included all forms of human effort, he held, should be rewarded according to its needs; that is, according to the expenditure required to keep it in a full state of efficiency, providing, at the same time by education, in its widest sense, for the progressive improvement of the physique, intellect and character of the individual and the race;

and including an allowance for the risk of illness or incapacity, and for the decrepitude of old age. According to his views, any other method of remunerating the workers would lead either to the vicious circle of individual accumulation or needless expenditure, or would be more wickedly wasteful of the factors of wealth-production than a deliberate policy of dirt and disrepair in the case of buildings and machinery.

In this theory of wages we distinguish an informal theory of consumption. The standard of wage was fixed, not by competition between individuals for employment, but according to the personal expenditure needful to efficient citizenship. But it is important to note that, from this point of view, the personal abstinence to which the growth of capital is usually attributed, would, if it were real abstinence, be a social immorality, impairing the faculties of the worker, the citizen and the parent; whereas there would exist, under this highly organized distribution, no margin of personal income for that more common form of abstinence—the personal preference for the power of accumulated wealth to further needless or tiresome expenditure. The reward of abstinence becomes, therefore, a meaningless term, with the practical result that a charge for interest finds no place in the wages of capital in Robert Owen's ideal system, though it was a necessary condition in the communities actually established.

But before Owen could hope to persuade his slow-thinking and apathetic fellow-countrymen to follow him out of this house of bondage, where men were sharply divided into a *class* of rent-holders and profit-makers on the one hand, and a mass of wage-earners

on the other, into that promised land of common ownership and joint enjoyment, he had to overcome two apparently insurmountable barriers. To convert the people to his new system of society, he must solve two problems. First, he had to imagine some method of adjusting the supply of commodities to the demand without having recourse to the device of competitive trading—to the eager sharpsightedness of rival traders intent on profitable exchanges. And, secondly, he had to provide for the rapid accumulation of wealth, whereby an increasing population might be supplied with the instruments of production ; he had to ensure this creation of surplus wealth without the incentive to personal effort, without the motive for personal abstinence, yielded by the greed of gain, or the desire for the artificial personal dignity of private property.

The task of adjusting production to demand (considered by economists as the peculiar function of the profit-making instinct) Robert Owen maintained would be materially eased by an enforced abandonment of luxury and fashion, and by the replacement of the present anarchic expenditure by a consumption based on the scientific ascertainment of the needs of different classes of workers. For it must be remembered that Robert Owen had a firm faith in the advent of a social science—a science which should foretell the functions and requirements of society, with a view to the development and gratification of the individual in the same manner that chemistry and physics had discovered the laws of matter and motion, and had succeeded in analysing, reconstituting, isolating and combining, according to the de-

liberate purposes of man. Impressed, as a practical manufacturer, with the ease with which the faculties of man had been isolated and perfected by division of labour, and specialized workers combined in definite proportions under the factory system, he imagined that with adequate knowledge it would be feasible to control the desires of men, or to divert them into channels of social welfare.

The stimulus afforded to the creation of wealth by the profit-making instinct, Robert Owen believed, would be amply compensated by the Co-operative enthusiasm and greater efficiency of the main body of workers—including managers, inventors, foremen, travellers, and other assistants, none of whom, under the existing arrangement, shared the profits of the capitalist *entrepreneur*. In denying that avarice and desire for self-gratification were the sole wealth-producing motives, Robert Owen simply forestalled the more scientific conclusions of modern economists. Marshall, in his great work on Economics tells us that "the accumulation of capital is governed by a great variety of causes: by custom, by habits of self-control, and forecasting and realizing the future; and, above all, by the power of family affection." Owen extended the sphere of this affection from the narrow circle of the family to the wider world of the community: he had faith that custom, self-control, intelligence and emotion would be moulded and leavened by an all-pervading love of humanity, and such way would become a great wealth-producing force. For in contradiction to the competitive formula, "each man for himself and devil take the hindmost," he declared "that the happiness of self

clearly understood can only be attained by a direct and conscious service of the community." Thus the profit-maker was replaced by an ideal civil servant.

The reader will have perceived, by this time, that Robert Owen denied the necessity, or even the advantage, of private property. In the communities he proposed to establish, all things were to be held in common. He maintained that through the Industrial Revolution private property had become the privilege, as profits had become the perquisite of a strictly limited class. For in the pamphlet on the *Causes of the Present Distress* he grasps the full significance of that central fact of the New Industry—the destruction of individualist production, a system typified by the peasant-proprietor, also a manufacturer, paying neither rent nor interest, and owning both the instrument and the product of his labour, and the creation in its place of social production—of a co-operating body of workers, each man, woman or child working (from an economic point of view) with and for the others. Owen perceived that the individualist producer, in direct connection with the consumer of his product, was replaced in modern industry by a hierarchy of workers, using different degrees of intelligence and skill, from the designer and manager to the general labourer and child-piecer—all alike subordinate to the huge factory mechanism, which embodied the enterprise, the inventions and the labour of other groups of workers. Under the factory system no worker could point to a yard of cotton or woollen cloth and say, "This is the result of my own labour, this I may rightfully keep for my own consumption." Moreover, with the growth of inter-

national trade no worker could personally dispose of the product of his labour to the actual consumer. Individualist production was a thing of the past; but individualist appropriation of the product of social labour,—the absorption by the capitalist of the net result of Co-operative industry, after allowing a bare and intermittent wage to the manual worker, a decent salary to the brain worker, and when possible declining to acknowledge the claims of the inventor, together with individualist exchange, buying commodities at the cheapest rate and selling them at the dearest, were still dominant.

He proposed, therefore, in his Co-operative communities, to complete the unfinished work of the industrial revolution by introducing the Co-operative system (which already existed in the production of wealth) into the ownership of land and fixed capital and into the exchange of commodities. In other words, he attempted to substitute for private property a communal possession of land and a communal accumulation of wealth; for competitive trade, the equitable exchange of commodities between various groups of united workers, according to the *social value* of each commodity (*i.e.*, the cost of production, a term to which he attached, as we have seen, a peculiar meaning). By this new organization of production and distribution he imagined that he would end that chronic disaster of periods of inflation, and periods of depression; that paradox of 19th century trade, the increased production of commodities followed immediately by the starvation of the producer.

That Robert Owen provided an adequate stimulus to the accumulation of wealth or an adequate motive

for the mutual gratification of men's desires, will be vehemently disputed. But the creation of more or less material wealth was, in Robert Owen's eyes, a small matter beside the wholesale degradation of character involved in a system avowedly based on an unscrupulous pursuit of individual gain. In truth, the idea underlying Owen's Co-operative system was a deeply rooted conviction that a system of society avowedly based on that "beneficent private war" (to use the words of Sir Henry Maine) "that makes one man strive to climb on the shoulders of another and remain there,"—that good old-fashioned shouldering of separate interests, was no system whatsoever, but a senseless repetition of primeval anarchy in the world of modern industry. Robert Owen preached the ancient doctrine of human brotherhood—the hope, the faith, the living fact of human fellowship—a faith and a hope resounding in the word of one who has followed in his footsteps. "Forsooth, brethren, will ye murder the Church any one of you, and go forth a wandering man and lonely, even as Cain did who slew his brother? Ah, my brothers, what an evil doom is this, to be an outcast from the Church, to have none to love you and to speak with you, to be without fellowship! Forsooth, brothers, fellowship is heaven, and lack of fellowship is hell; fellowship is life, and lack of fellowship is death; and the deeds that ye do upon the earth, it is for fellowship's sake that ye do them; and the life that is in it, that shall live on and on for ever, and each one of you part of it, while many a man's life upon the earth from the earth shall wane."[1]

[1] The Dream of John Ball. William Morris.

Such was Robert Owen's Co-operative ideal: an ideal which we find, in a more or less mutilated form, in the contemporary and immediately succeeding Co-operative magazines and periodicals, and which still lingers in the pages of the *Co-operative News.* It was an ideal which required for its realization a science which had not arisen, a character which had not been formed, economic and legal conditions existing nowhere in the purely aristocratic societies of Europe. Above all, unless it were to be subjected to an iron-bound tyranny, such a community would necessitate the development of an administrative system, of the nature of which even Owen himself had formed no conception, and which could only originate in a pure and enlightened democracy. In face of these insuperable obstacles the principles of Co-operation were not only incapable of fulfilment, but, during Owen's lifetime, were not destined to meet with a full and fair trial. For where, in the wide world, could Robert Owen discover a body of associates whose faculties had been developed on his theory of consumption, or who had inherited or acquired characters fit for the difficulties of associated life and self-government? Naturally enough, the communities established by him or his followers were the resort of the unemployed — of workers already degraded by starvation and idleness, or of restless or discontented spirits incapable of the most elementary duties of citizenship. And supposing a given number of picked men and women, inspired by heaven-born zeal for social service, had been willing to form a co-operative association, where would they find free and unappropriated land, the

coal, the iron, the timber wherewith to accumulate the capital needful for manufacturing on a large scale? At the very outset these communities had, under the existing order of things, to pay rent and interest—a rent that could be raised indefinitely on the improved value of land and buildings. Indeed history tells us that the one successful experiment in Co-operative communities—Ralahine in Ireland—was broken up and dispelled by the bankruptcy of an absentee landlord, the extensive improvements made by the community being confiscated by his creditors. And granting the ability of a given community to pay out the landlord and the capitalist, what should prevent these men or their children, surrounded by competitive civilization, from reverting to that lower type of the mere capitalist or landlord living on the labour of incoming wage-earners refused full fellowship in property and enjoyment? That was the fate which had actually overtaken mediæval municipalities and mediæval guilds; this was the fate in store for many future Co-operative societies, of the isolated and individualist type, in England and France. Communities, artificially created, and cut off from the life of the nation, were foredoomed to failure. Owen failed in voluntary Co-operation as he had failed in State Socialism, and for exactly the same reason. Flattered by the attentions of ministers, nobles, kings, he fondly imagined that a sudden social reformation could be brought about by foreign potentates and English magnates. He refused to countenance the Reform movement; he appealed with confidence to a government of landlords and capitalists to introduce a Factory Act; and he imagined

that individual landlords or employers would be the founders of successful Co-operative communities. He had not grasped the significance of Democracy as a form of association whereby the whole body of the people acquires a collective life—the internal Will to transform institutions preceding the external act of reform. Our Owen "failed because not poet enough to understand that life develops from within." He saw the goal, but mistook the means. He ignored Time, and he despised Democracy—the essential condition, and the indispensable instrument for the progressive and abiding Co-operative organization of society.

CHAPTER II.

THE SPIRIT OF ASSOCIATION.

IT was well for the ultimate success of the Co-operative movement that the great majority of intelligent working-men, grimly intent on escaping from out of the house of bondage into the free wilderness of political democracy, concerned themselves little with beatific visions of the promised land of their inheritance. To a people weighted with taxes, bound hand and foot by laws against free combination and free emigration, chained to the ground by the law of settlement, a scientific theory of consumption, an equitable distribution of wealth, or a communal ownership of land and capital, seemed somewhat remote and unattainable objects. The sound instinct of the English people was rudely but effectively expressed by a Wigan weaver, present at a meeting of gentry held in the hall of that rotten borough under the chairmanship of the borough owner, to consult about the distribution of wealth in the form of soup to starving operatives: "We do not want your soup; give us our rights, and we shall eat roast beef."

The reformers led by Cartwright, Cobbett, Place, and Burdett, were moved, equally with Robert Owen, to

vigorous exertion by the sight of the intolerable suffering and degradation of the whole people. "England now contains," writes Cobbett in 1820, "the most miserable people that ever trod the earth. It is the seat of greater human suffering, of more pain of body and mind than was ever before heard of in the whole world." But with the practical sense of an Englishman, Cobbett and his fellow-workers deliberately shut their eyes to the economic causes of the people's distress—causes over which working men, in their present political and social servitude, had no control; and concentrated their whole energy on Parliamentary reform. "Thus then, my fellow-countrymen, it is not improvements in machinery; it is not the grinding disposition of your employers; it is not extortions on the part of bakers and butchers, and millers and farmers, and corn dealers and cheese and butter sellers—it is not to any causes of this sort that you ought to attribute your great and cruel sufferings." To William Cobbett, elaborate plans for the elimination of profits, and the absorption by the community of rent and interest, seemed futile and fanciful philanthropy in face of the great proletariat, who had lost the right of voting taxes (that theoretically inalienable right of every Englishman), who were denied the right of public meeting and free speech, in whom combination to raise wages was a criminal offence, and to whom associations for trading and manufacturing purposes were rendered impracticable. Factory Acts, Public Health Acts, Education Acts, Adulteration Acts—if needful, a new system of society—"these and all other good things," cried the people's tribune, "must be done by a Reformed Parliament—we must

have that first, or we shall have nothing good; and any man who would beforehand take up your time with the detail of what a Reformed Parliament ought to do in this respect, or with respect to any change in the form of Government, can have no other object than that of defeating the cause of Reform."

Bamford tells us that at the end of 1816, the writings of William Cobbett suddenly became of great authority, and were read on nearly every cottage hearth in the manufacturing districts. He called on the people to combine—to stand shoulder to shoulder, and with the stirring cry for political freedom, he effectually aroused, among all sections of the workers, the spirit of association—the one living force of all social organizations.

But the eventual outcome of William Cobbett's appeal to the political instinct of the English people was clearly visible even in his own teaching. "It is the sum taken from those who labour to be given to those who do not labour which has produced all our present misery," urged William Cobbett to the Luddites. "Whatever the pride of rank, of riches, or of scholarship, may have induced some men to believe, or to affect to believe, the real strength and all the resources of the country ever have sprung and ever must spring from the labour of its people," repeats Cobbett to his friends and fellow-countrymen—words which might have been uttered by an Owen or a Karl Marx. "You pay a tax on your shoes, soap, candles, salt, sugar coffee, malt, beer, bricks, tiles, tobacco, drugs, spirits, and indeed on almost everything you use in any way whatever," and the proceeds of these taxes support a privileged and parasitic class, adds the practical

politician, his whole mind bent on rousing the people to the first step. "You labour for the common weal; why not control the forces of the commonwealth?" whispers the democratic idea. "Therefore," continues Cobbett, "we ask for nothing new. There is no principle, no precedent, no regulation favourable to freedom (except as to matters of mere detail) which is not to be found in the laws of England, or in the examples of our ancestors. We have great Constitutional laws and principles to which we are immovably attached. We want great alteration, but we want nothing new. Alteration, modification to suit time and circumstance, but the great principle ought to be and must be the same, or else confusion will follow." Unlike Owen and other Utopians, Cobbett understood the mind of the English Democracy, and recognised growth as an essential element of social reformation. The Co-operative organization of industry had to be lifted from off its high place in the minds of philosophers, on the bookshelves of kings and cabinet ministers, on the tables of great ladies—this self-consciously perfect new system of society had to be transformed into a mere matter of detail, to be worked out amid the plodding uniformity of common life, slowly and unconsciously, in back streets and crowded cities, by the average sensual man under the blind eye of that great English fetish, the immortal, infallible, unchangeable law and principle of the British Constitution.

It is important to realize that the successful working out of the democratic idea—the dogma that no man should be taxed without the consent of his representative—involves the acceptance of those principles essential to representative self-government in all its

forms and the presence of those qualities which alone can insure its success. In the first instance, the community must agree to abide loyally by the decisions of the majority; without this initial self-subordination no democratic society is possible. Further, the community must be sagacious in the choice of representatives; the whole body of the members must exercise a constant watchfulness over the administration of their affairs, combining this watchfulness with trust and generosity towards officials. And, lastly, there must exist within the community men fitted by energy, enthusiasm and integrity for public service. Without these self-governing faculties the reformer's appeal to the democratic idea, Owen's creation of the Co-operative ideal, would have been powerless and without avail. During the 18th century, when the spirit of association seemed stifled beneath social apathy and the economic isolation of small proprietors and domestic manufacturers (protected in life and property by a strong central government), it is interesting to observe that the inborn capacity of Englishmen for self-government, declared itself in religious dissent. Throughout the last century groups of fellow-thinkers, uniting together as Independents, Congregationalists, and Baptists, erected chapels and schoolhouses in the then sparsely populated manufacturing districts, or in the trading centres that were scattered far and wide in the Midland and Northern Counties. These separate self-governing societies exhibited all the features of pure democracy. Each man and woman voted on equal terms for the elders or deacons—a committee of management—to whom they entrusted the common purse, and frequently the

choice of the minister. Each member of the congregation checked the administration of the elders, and criticised the doctrine of the minister, while the whole congregation watched over the eternal welfare, moral conduct, and physical wants of the younger and weaker individuals. It is difficult to over-estimate the debt which the English democracy owes to the magnificent training given by Protestant Dissent in the art of self-government. And it is a significant fact that Lancashire, the birthplace of the Co-operative movement, the stronghold of Trades Unions and Benefit Societies, the foremost county in municipal enterprise, earned for itself, in the 18th century, the unenviable reputation of being the land of chapels, Sunday-school teachers, and heterodox ministers—a prevalence of religious disorder attributed, by ecclesiastical authority, to the innate "cussedness" of Lancashire folk, "who loved to manage their own affairs in their own way."

But if the social isolation and economic self-sufficiency of the family in the 18th century proved barren of associative effort, except among dissenting congregations, the industrial revolution, sweeping over the staple industries of the kingdom, levelled all barriers, and opened out channels of communication to the democratic organisation of labour. The massing of men under the factory system, the marshalling of the whole army of workers under one code and one discipline, the common stigma attached to the wage-earning class as "dregs," "scum," "mob," "swinish multitude," the legal emancipation of the employers and their disavowal of any moral responsibility for the condition of their workpeople, to-

gether with the infamous laws against the free combination, emigration and settlement of the workers —all these circumstances lent the opportunity and supplied the stimulus to the formation and development of political, trade union and co-operative association. In these troubled and excited times of State trials, sedition bills, suspension of the Habeas Corpus Act, of secret committees of both Houses on the state of the country, while Owen was declaiming on his new system of society to aristocratic audiences, and Cobbett orating to the journeymen and labourers of England, Wales, Scotland and Ireland on the cause of their present miseries—in these dark days, when everything tended, according to Lord Brougham, to the complete separation of the higher and lower orders, leading inevitably to anarchy and despotism, a new spirit of fellowship was springing up throughout the length and breadth of the land, leavening the common lump of men, and initiating an intellectual and moral fermentation, which discovered itself in diverse and manifold forms. Here the spirit of association clothed itself in Hampden Clubs, Spencean Societies, and militant Trade Unions, covering risks and enlightening proceedings with oaths and symbols worthy of the repression and superstition of the middle ages; now this same spirit disguised itself in the respectable garb of Sunday-school classes, mutual improvement clubs and benefit societies, or here and again it adopted the mild industrial type of the early corn-milling and baking societies, of the General Redemption Societies and the Union Shops. As students of the Co-operative movement, it is with these last, and at that

period, least important manifestations of the spirit of association, that we are directly concerned. But we should miss the national significance of the Co-operative movement, the spiritual meaning of the future grocer's shop, if we failed to realize that all these manifold forms of democratic association, with their various ways and different methods, had one aim and one motive—the same aim and the same motive, curiously enough, described as the cause of the mediæval communes: the desire on the part of a majority to regulate and to limit the exploitation of their labour by a powerful and skilled minority.

The Co-operators, inspired by Robert Owen, added to this self-assertive instinct of an oppressed but energetic people a high ideal of communal life, a tenderness for vested rights, a conception of social service and social welfare wide enough to include honest citizens of all ranks. Nevertheless, whether we examine into the petty attempts and unnoticed failure of the early Co-operators, or whether we watch the great sustained effort of the modern Co-operative movement, it will be borne in upon us that Co-operators have succeeded or have failed exactly in so far as they have accepted or denied the principles, possessed or lacked the qualities, essential to all forms of democratic self-government.

A detailed account of the early working men's associations for trading and manufacturing purposes has been given by Mr. Benjamin Jones (manager of the London Branch of the Co-operative Wholesale) in a series of admirable papers, entitled "Short Studies of Co-operative Production," published in the *Co-operative News* of last year. These papers consist

largely of well-selected extracts from contemporary MSS. or printed records, supplemented by the personal knowledge of the writer and his fellow-co-operators of the traditional history of those societies which have survived for the better part of a century. I have ventured to make free use, in these shorter studies of the whole movement, of some portion of the matter contained in these papers without in any way exhausting their interest to future readers.

First, let me remind the reader that there are two recognised forms of Co-operative Association—associations of consumers intent on securing low price and good quality in articles of common use by eliminating the profit of the trader and manufacturer, and associations of producers anxious to obtain the full value of their labour by absorbing the profit of the employer.

For a right understanding of the Co-operative movement it is of the utmost importance that the student should, once for all, dismiss from his mind the common classification of Co-operative societies into distributive and manufacturing associations, together with the vulgar error that Co-operative production has failed and Co-operative distribution has succeeded. The working men's stores of Great Britain manufacture, on their own account, to the extent of three millions a year, and the productive departments of the English and Scottish Wholesale societies, together with the federal corn-mills and baking societies, show an annual turnover of two millions; while the total production of commodities by so-called associations of producers (some of which are mere joint-stock companies governed by the shareholders)

amounts only to an annual trade of £500,000. In the course of my narrative the reader will perceive that the real distinction between an association of consumers and an association of producers is not a matter of "distribution" or "production," but resolves itself into a question of administration; it rests on two opposing, and mutually exclusive theories of representation or methods of government, to be described later on. In this and the two succeeding chapters, I shall deal principally with the first class of Co-operative societies, I mean with associations originated by bodies of consumers. For these associations alone show the principle of growth and continuity, and form the backbone of the two Co-operative movements of 1828–34, and of 1844 and onwards. Associations of producers, on the other hand, start up, in all places and at all times, arise and disappear like crops of mushrooms, with perplexing rapidity, and frequently without trace. I shall attempt, in a separate chapter, to catch up these broken ends of Co-operative enterprise, and give the reader some general idea of the variety of their constitution and some conception of the leading causes of their constantly recurring failure.

Now the earliest Co-operative societies of British working men, of which we have any clear record, were isolated corn-mills and baking societies—associations of consumers originating in a growing resentment among the poorer classes against the extortions of millers and bakers through monopoly prices. These societies were, however, primarily engaged in a manufacturing process; at the outset, therefore, the common classification into distributive

or trading societies, representing the interests of the consumer on the one hand, and productive or manufacturing societies formed in the interests of the producer on the other, is proved untenable.

An interesting little book, "An Inquiry into the Causes of the Present High Prices," published in London, 1767, throws an accidental but vivid light on the exciting causes which led to the formation of these early pre-Owenite associations.

> Millers have indeed within a few years raised immense fortunes, and with incredible expedition; and bakers in general thrive and get rich in a proportion far beyond what is seen in other trades. But the riches of both these are drawn from the general body of the people. For the law against adulteration has not its full effect. The veriest bungler in these trades may continually break this law without the least danger of discovery.

In a footnote we are told "that the manufacturers and other principal inhabitants of Wolverhampton are so sensible of this, that they have lately built by subscription a corn-mill for the use of the poor only, for they find by their calculation they can pay themselves fair interest for their money, and at the same time make a considerable saving to the poor."

Toward the end of last century the millers' monopoly became intensified by the conversion of many corn-mills into cotton and other factories. In 1796 a parish windmill was erected by the gentry on Barham Downs for the use of the poor. But in the previous year the working-men of Hull had taken the matter into their own hands and addressed the following petition to the aldermen and mayor of the borough:—

We, the poor inhabitants of the said town, have lately experienced much trouble and sorrow in ourselves and families on the occasion of an exorbitant price of flour. In consequence thereof, we have entered into a subscription, each subscriber to pay 1*s.* 1*d.* per week for four weeks, and 6*d.* per week for four weeks more, which is 6*s.* 4*d.* each, for the purpose of building a mill, which is to be the subscribers', their heirs, executors, administrators, or assigns, for ever, in order to supply them flour; but as we are conscious that this subscription will not be sufficient to bring about our purpose, we do therefore humbly beseech your worship's advice and assistance in this great undertaking, that not only we, but our children even yet unborn, may have cause to bless you.

We are told by the present secretary of the society that some ten years after the establishment of this people's mill, "the Society had so far succeeded that the millers of the town decided to indict it as a nuisance, which it certainly was to them, and which they undertook to prove at York on the 1st of August, 1811. At the close of the trial, however, it was found that a Yorkshire jury considered poverty a still greater nuisance, and deeming the Society to be an institution likely to reduce poverty, they gave a verdict in its favour, and for thirty-six more years the Society continued to work without official aid or millers' opposition."

The success of this mill led to the establishment of the Hull Subscription Mill, 1801, and the Whitby Union Mill, 1812. Farther south the skilled artisans, indignant with the general practice of adulterating flour with China clay, formed a baking society at Sheerness, 1815, and erected a corn-mill in Devonport, 1816; while in Scotland, baking societies were started here and there from the year 1800 and onwards.

Generally speaking, the commercial tactics of these pre-Owenite associations were ready money and cost prices; such profits as were unavoidable in the process of retailing being added to the capital or divided among the shareholders in money or in kind. Few and far between, these purely commercial associations were apparently confined to the skilled artisans of seaport towns. Their sole object was the better gratification of the wants of a small body of consumers. As such they formed useful points of resistance to the greed of the private trader; but they had no appreciable effect on the aims or actions of any considerable section of the working class.

I now pass on to the first genuine attempt of the British working-class to embody Robert Owen's view in a practical form—the Union Shop movement of 1828–32.

The first of these trading associations, of which we have any clear record, was established at Brighton in 1828. The aims and methods, together with the commercial success of these Sussex Co-operators, were quickly advertised in a periodical entitled the *Co-operator*, written for the most part by Dr. King, a disciple of Owen's. The ulterior objects and practical methods of a Union Shop are thus described in this organ of the Brighton Society:—

> It is capital we want. . . . We must form ourselves into a society for this special purpose; we must form a fund by weekly deposits; as soon as it is large enough, we must lay it out in various commodities, which we must place in a common store, from which all members must purchase their common necessaries, and the profit will form a common capital to be again laid out in the commodities most wanted. Thus we shall

have two sources of accumulation—the weekly subscription, and the profit. . . . The society will be able now to find work for some of its own members, the whole produce of whose labours will be common property. . . . As the capital accumulates still farther, it will employ all the members, and then the advantages will be considerable indeed. When the capital has accumulated sufficiently, the society may purchase land, live upon it, cultivate it themselves, and produce any manufactures they please, and so provide for all their wants of food, clothing, and houses. The society will then be called a community. . . . But if the members choose to remain in a town, instead of going into a community, they may derive all the advantages from the society which I have stated.

In spite of these far-extending views, the Brighton Co-operators began humbly and completed their corporate existence in the embryo form of a general shop. Starting with the modest capital of £5, in the course of the first year they had raised the weekly sales to £40. Later on, we hear that their success in accumulating capital became a cause of discord; the majority wished to realize their original intention and become communists, while a more individualist minority departed with their share of the capital, and being presumably fishermen, built themselves a fishing-boat at a cost of £140, out of which venture they realized a weekly profit of £4. Encouraged by the success of the Brighton Co-operators, or impelled by the same idea, working men in other parts of the country started shops of a similar character. Through accumulated profits many of these Co-operative societies reached the further stage of employing their own members in the manufacture of textiles, boots and shoes, clothing and furniture. Mr. Holyoake, who has personally investigated the

rules of these early societies, tells us that they were frequently prefixed by a long address on the moral obligations of Co-operators, and are always characterized by careful attention to the moral conduct of members. Profane language is prohibited, vicious members are to be expelled, no persons of immoral character are to be admitted ; on the other hand, no one is to be refused on account of religious views ; while societies held studiously aloof from political and trades union organizations—a neutrality which placed them in a position antagonistic to great and rising powers. Special societies were more rigid in their discipline ; Preston expelled members who spoke disrespectfully of the goods of the society ; Runcorn insisted that applicants should not only be virtuous, but in good health and not under sixteen or over forty years of age ; while many societies showed their masculine spirit in refusing to allow females to withdraw their money without their husbands' consent ; others their desire for domestic concord by insisting on the wife's permission before admitting the husband as a member. But, generally speaking, the spirit of these early Co-operators is prettily expressed by the text prefixed to the rules of the Warrington Society, " They helped every one his brother, and every one said to his brother, 'Be of good cheer.' "

It is a curious fact that at first Robert Owen, according to William Lovett, looked coldly on these trading associations, and declared that mere buying and selling formed no part of his grand Co-operative scheme ; but discovering that the humble efforts of these amateur shopkeepers were inspired by faith

in his new system of society, he became an ardent advocate of their shops; and it was partly to provide a market for the surplus manufacture of the more enterprising of these societies that he instituted the Gray's Inn Labour Exchange in 1833.

I do not propose to discuss in detail the significant experiment, from an economic point of view, of the Gray's Inn Labour Exchange: an artificial market instituted by Robert Owen, with middle-class capital, in which each commodity was valued according to the amount of labour it contained. Labour Exchanges, however, were established both before and after the Gray's Inn Institution, in London, Birmingham, Liverpool, and Leeds by *bona fide* working men, and were the natural outcome of this first Co-operative movement. These artificial markets were in fact a naïve attempt to give practical effect to William Thompson's theory of value—a theory afterwards incorporated by Karl Marx in his work on Capital. As the early Co-operators accepted this theory in its crudest form, based their practice and built their hopes on its economic soundness (a fact to which they largely owed their failures), it may be well to criticise it briefly.

William Thompson, a man of light and leading in the Owenite movement, asserted that, were it not for the existence of fraud and monopoly, the market value of any given article could be measured by the amount of labour contained in it; further, that the value of labour can be estimated by the time expended; and lastly, that all skilled labour is resolvable into multiples of average labour. Owen, eager to extinguish profits by obviating the fluctuations of the market.

suggested labour notes as a substitute for money. The principle adopted in his labour exchange was therefore to value the raw material of the commodity at market price (itself a gross violation of Thompson's theory) and the labour expended on it at sixpence an hour. The labour note ran thus :—Deliver to the bearer value one hour. To dwell only on the most obvious objection, it is clear that it is impossible to measure accurately the social value of a given kind of manual labour merely by the number of hours spent in it. Even Karl Marx seems aware of this elementary difficulty; for he exclaims somewhat contemptuously : " Some people might think that if the value of a commodity be determined by the quantity of labour spent on it, the more idle and unskilled the labourer, the more valuable would his commodity be, because more time would be required in its production."

This objection he waives by assuring us, that to him the word "labour" signifies "an unsubstantial reality—a mere congelation of homogeneous human labour, of human power expended without regard to the mode of its expenditure." Englishmen, however, can form no conception of an abstract labour out of which all inequalities of intensity and quality have been rigidly eliminated. And we are met with a further difficulty. Let us grant that we are able to measure the value of ordinary manual labour by the time expended, no common measure exists between the labour of the docker, the spinner, the clerk, and the inventor. It is conceivable that we might, from motives of public policy, insist on equality of remuneration but in so doing we should be simply

rewarding men according to a hard and fast and somewhat unintelligent view of their needs and not according to the worth of their service.

Over and above these initial objections to Thompson's theory of value, we are brought face to face with a more abstruse and dangerous fallacy. He ignores an all-important factor in the exchange value of commodities—I mean the demands of the market representing the manifold wants, the changing desires, and shifting fancies of the whole body of consumers. A delegate to the quarterly meetings of the Wholesale knows well enough that the amount of labour and brain-power expended on Batley Woollens plays a small part in the exchange value of these unfortunate commodities, and that any attempt to fix the relative prices of Batley ready-mades and Leicester boots on the principles of Owen's Labour Exchange would prove expensive folly. By a series of object lessons or practical experiments, extending over half a century, costing some millions of money and the sacrifice of the enthusiasm and intelligent efforts of thousands of disinterested workers, modern Co-operators have been taught sound economics. They have finally abandoned Thompson's theory of value and owe their success to a full realization of *utility* as a determining factor in value—to a deliberate attempt to affect a correspondence between human faculties and human desires. Through the stores and the Wholesale Societies they produce for a known market; by quarterly meetings and buyer's conferences they bring into closely organized relations the managers and salesmen of large stores (understanding the wants of their customers) and the directors and

managers of productive departments (who undertake to provide for them).

But in the days of Robert Owen and the Union Shops, Political Economy was in its infancy. Economists had not recognised that the exchange value of a commodity or a service is principally determined by the varying relation of human faculties to human desires (though that relation is now effectually disturbed by the existence of unearned incomes). As might have been foretold, the Labour Exchanges were quickly choked with articles priced according to the labour expended, but which had been made without reference to the desires of the public. On the other hand, unscrupulous speculators bought up all goods priced below market value and re-sold them to the public at profit to themselves. To avert immediate failure, the directors of the Gray's Inn Labour Exchange discarded Thompson's theory and advanced notes to depositors according to their own estimate of the market value of the articles deposited. The bitter complaint of a tailor that a coat had cost him thirty hours, whereas he had only received from the Exchange a labour note for fifteen, was met with the naïve rebuke that the coat was cut in a fashion that suited few customers. Robert Owen realized the abandonment of his original scheme, and admitted that the Equitable Labour Exchange had become little else than the establishment of an honest and well-intentioned pawnbroker. In this form, the concern was ultimately closed by the rapacity of a landlord who imagined that he could act the part of the "Uncle" with as much self-respect, fewer words, and larger profits than the enlightened reformer and his philanthropic colleagues.

Towards the end of 1829, the significance and extent of the Union Shop movement is attested by an enthusiastic article in the *Quarterly Review.* In 1830, we are informed in a Report to the British Association for promoting Co-operative knowledge, that 170 Union Shops were scattered over the country: in 1832 we are told by the same authority the number of Co-operative societies had increased to 400 or 500. In the meantime, however, the parent Union Shop in Brighton had disappeared, and in the course of 1833 and '34, the whole movement collapsed. Some isolated Union Shops, started by tenacious Scotch and north-country Co-operators, survived the general disaster, and were discovered a generation later by the pioneers of the second Co-operative movement. These associations, like the Devonport mill and Sheerness store, the Hull Anti-corn mill, and some of the Scotch baking societies, point with pride to their ancient descent, and may be termed the aristocracy of blood amid the plutocracy of the modern movement.

But these survivors of the Ante-Rochdale type by no means constitute the total effect of the first Co-operative movement. Seeds of Co-operative faith scattered far and wide by these enthusiastic disciples of Owen in the minds of the working class, and buried for a time beneath the rising Chartist agitation and the more dramatic methods of Trade Unions awaited political disenchantment, industrial truce, and trade revival, to yield fruit after their own kind.

Now the failure of the Union Shops movement is more easily accounted for than its partial success. In the first place, these societies had no legal status: the manager, the secretary, or any member could secrete

goods, or misappropriate funds without fear of prosecution. There was practically no remedy against theft or fraud, except the primitive one of simple retaliation. A story is told of the Co-operative ribbon-mill, established some years later, illustrative of this legal anarchy. This society had been robbed by one of its associates of a quantity of stock. The aggrieved members took the advice of a solicitor, and were assured that the law had no legal remedy. They overcame the difficulty, however, by enticing the delinquent to a distant part of the town, while others entered his house and took back the goods. Again, the capital of the society belonged legally to no one, and was at the mercy of the official who handled it or the member who banked it. Neither could the societies, in their corporate capacity, rent, or own buildings and land ; they were dependent on some individual member, whether or no he had subscribed the price or paid the rent. In short, there was no legal contract between member and member ; each and all depended on the integrity of the whole body of the members, a fact which partly explains the fastidiousness as to the private character of the applicants and the preference for members as officials. It is assuredly to the credit of the English working man that numerous associations, both for trade union and industrial purposes, should have existed continuously for half a century with no other security but the personal honour of members and the personal honesty of officials. But in spite of the far larger capitals of the Trade Unions, the lack of legal status was obviously a greater drawback to trading and manufacturing societies because of their more complex transactions, and on account of

their relations to the outer world as buyers, sellers, landlords, and tenants.

The failure of the Union Shops, however, cannot be attributed wholly to the want of legal security, for the Rochdale movement started and succeeded some twelve years later under almost exactly similar legal conditions. The glimpse given us into the domestic affairs of the Brighton society—the breach between the members and a consequent withdrawal of a large part of the capital, indicates clearly a typical weak point in the structure of these organizations. If the shop were successful, the members became small capitalists and drew profits without necessarily being customers. Dr. King, in discussing, some twenty years later, the failure of the Union Shops, mentions this lack of loyalty and greed of profits as one of the causes. William Lovett, an impartial witness, explains it by stating that the wives of members preferred to deal with private traders, who provided more choice and granted longer credit. Hence the successful shop ceased to be the store of a community managed by the officials of that community, and became a profit-making machine for a few tiny capitalists. Presently those members who had most at stake realized the insecurity of their position and preferred, like the Brighton fishermen, a safer or more profitable investment ; or the Union Shop become a trading partnership between the more enterprising members, and run for private profit and not for common convenience. If, on the other hand, the whole body of members proved loyal to the shop and true to the Co-operative faith, they usually capitalized the profits, so as to employ associates in the production of com-

modities. Then we see the trading society weighted with the surplus manufacture of its own members,—a state of things which resulted in the foredoomed experiments of Equitable Labour Exchanges. Thus either an undemocratic constitution or false economics undermines the very foundation of the Union Shops; while the absence of legal protection, religious differences, want of business ability, destroyed the cohesion of the members, and rendered these Co-operative associations powerless before the rival attractions and disintegrating forces of the growing Chartist and trades union movements.

The history of the working class for the next decade, between 1834 and 1844, is the history of Chartism (a history which is yet unwritten), interleaved with all-important pages from the annals of Trade Unions. The conviction of six Dorsetshire labourers in 1834, and their sentence to seven years transportation, under an obsolete statute, ostensibly for administering unlawful oaths, but really for "the crime of combination," gave an enormous impetus to the formation of Trade Unions, and the growth of political organization. The narrow suffrage of the Reform Bill of 1832, the unsympathetic policy of the Whig ministry, popular misunderstandings as to the nature and objects of the new Poor Law, a growing desire for national education and a free press among the skilled artisans, for State regulation of mines and factories in the crowded districts of Lancashire, Yorkshire, Durham and Northumberland, forced on the minds of the working people that the battle for political freedom was still unwon. These ten years may be fitly termed the heroic period of English labour

politics; the days of heroes, martyrs, traitors, and light-headed leaders, of half-hearted allies among middle-class free-traders, of false emissaries from the Tory camp intent on preventing, by bribes and promises, a combination of forces which they dared not resist. Meetings, petitions, demonstrations, processions, follow each other in quick succession. A successful attempt to establish a national federation of all the trades, the formation of working men's associations and Radical clubs throughout the country, and the definite adoption by these associations of a well-conceived political programme—the People's Charter—clearly proved the presence of grim determination and organizing capacity among working men and their leaders. In this great upheaval, both the best and the worst elements of the Democracy came to the surface, while ambitious spirits of all classes floated themselves into notoriety on the crest of the wave. Add to this revolutionary excitement, unexampled physical distress, seven years of trade depression, aggravated by the Corn Laws—an all-spreading misery roused to self-consciousness by the vigorous action of the Anti-Corn Law Leaguers and the counter-agitation of the Tories against the new Poor Law, and we have some idea of the "grand, alarming, imminent, and indisputable reality" which Carlyle termed the Democracy. But all this lies outside the limits of my subject. The events which are crowded into these ten years are worthy of the industry and genius of a great historian. I have no desire to satisfy the reader with a few big epithets, I wish only to point out a great omission in any conception he may form of the history of

Democratic association from an exclusive study of the Co-operative movement.

For throughout this period we have scant record of genuine working-class Co-operation. William Lovett, James Watson, Henry Hetherington, and other leading working men who had acted as secretaries and managers of Union Shops and Labour Exchanges, were now sedulously occupied in preparing the People's Charter, and carrying out a vigorous political campaign in all parts of the country. Owen and a knot of middle-class followers, on the other hand, were holding congresses, and instituting in the form of periodicals, "New Ages," "New Moral Worlds," and a "Universal Community of Rational Religionists," in which they propounded somewhat strange views on marriage, and preached a harmless secularism of the Bradlaugh type without Bradlaugh's democratic vigour. Meanwhile they became (so Mr. Holyoake tells us) more and more impressed by the belief that such small affairs as Co-operative societies could effect no permanent change in society!

But towards the end of this decade all circumstances pointed to a new transformation of working-class association into industrial Co-operation. Illusions were destroyed and obstacles were removed. Trade Unions, with their double-edged weapon—strikes—had failed, during this period of trade depression, to obtain any substantial increase in the wages of the workers. In many cases strikes and lock-outs had ended in an ignominious surrender to the lowered terms of the masters. While trade was rapidly expanding, the anti-corn law agitation was drawing to a close. Bright, Cobden, Villiers, had

persuaded working-men, as they had convinced Sir Robert Peel, "that the rate of wages does not necessarily fall with the price of food, and that the main grounds of public policy on which protection has been defended are not tenable." Bills for the better regulation of child and female labour in Mines and Factories had been passed through both Houses by a Tory Government in 1843–44. The wholesome effect of the new Poor Law compared to the rate-in-aid of wages and the degraded pauperism of the old system was becoming manifest to the more open-minded working men. Meanwhile the Chartist movement had drifted from under the leadership of honest and able workmen and had passed into the hands of an Irish political quack—Fergus O'Connor—who preached physical force without daring to use it, and precipitated his followers into riots and conspiracies for which they alone suffered. Chartism survived for a few years, dragging in its train the mob, but not the democracy, to be finally exploded in 1848, together with the reputation of its quondam leader, in the pigmy demonstration on Kennington Common, and in the pretended 4,000,000 signatures to the monster petition. Once again, English working-men preferred an open trade in groceries for the people's profit—a general redemption of labour by penny subscriptions—to the secret manufacture of Sheffield cutlass and Birmingham guns for futile rising and impotent rebellion. It is, however, a noteworthy and significant fact that five out of the six points of the People's Charter—manhood suffrage, vote by ballot, equal electoral districts, payment of members and abolition of property qualifications for

members of the House of Commons—"these preposterous demands of ignorant demagogues"—deeply engraven on the hearts and in the minds of the working class, have been realized, or are near to realization, mainly through the persistent political pressure of individual working-men Co-operators and of other organized bodies of genuine Democrats.

In truth, the Radical caucus, the Trade Union, the Store, and the Wholesale Societies, are all inspired by the same spirit of democratic association, are all alike impelled by a conscious or unconscious desire for representative self-government in the political and industrial enterprise of the country.

CHAPTER III.

THE STORE.

I DO not propose to re-tell in detail the well-known story of the Rochdale Pioneers. These twenty-eight Lancashire working-men successfully grafted certain portions of Robert Owen's Co-operative ideal on a vigorous democratic stock, out of which has sprung the modern Co-operative movement with its million members, thirty-six millions of annual trade, three millions of yearly "profits," and twelve millions of accumulated capital. Unlike the earlier and succeeding forms of Co-operative association, the Rochdale organization contained within it the germ of vitality. For not only has this system rooted itself firmly in the material needs and social aspirations of the whole body of workers in certain districts of England and Scotland, but it has spread, and is spreading over an ever-widening area, stretching out branches and multiplying off-shoots with pugnacious persistency in response to the vaguest encouragement and most tardy recognition. And, in spite of the constantly recurring failure of individual societies planted in barren soil, this form of democratic association has but one record—a continuous increase in membership, trade, and accumulated wealth. This, however, does not end the tale. Together with

this slow but steady growth in bulk, we witness a rapid internal organization—a consolidation of the political and commercial power of some 1,300 associations and their million members in one political and educational league—the Co-operative Union, and in two closely allied federations for trading and manufacturing purposes—the English and Scotch Wholesale Societies. It behoves us, therefore, to examine carefully into the constitution of the parent society, so that we may discover the secret of the success attained by the Rochdale system.

Mr. Holyoake, in his admirable little book, "The History of the Rochdale Pioneers," has given us minute and graphic details of the origin and formation of the Toad Street Store; a vivid picture of the scene one dark December evening in the year 1844, at the opening of the "Auld Weyvur's Shop," when amid the titters and jeers of Rochdale street urchins, the sneers of curious tradesmen, and the indifferent comments of passing townsfolk, the shutters of a ground-floor warehouse in a back street were cautiously unclosed and infinitesimal quantities of flour, butter, sugar and oatmeal discovered in the window. We are told that at first the store was opened on Saturday and Monday evenings only, one member acting as salesman, another as secretary, a third dignified by the magnificent title of cashier to a trade of £2 a week, a fourth by that of treasurer to the accumulated capital of £28; the remaining twenty-four members acting in the combined capacity of trustees, directors, shareholders, propagandist agents, and lastly as sole customers. Mr. Holyoake, then a Socialist lecturer, traces the origin of the

Rochdale Store to the failure of a strike among flannel weavers, and to the inspiration of certain Socialist followers of Robert Owen who suggested, to these disheartened Trade Unionists, Co-operative enterprise as an alternative for trade union pressure in their struggle towards industrial freedom. Ambrose Tomlinson, on the other hand, an active Rochdale Chartist of those days, asserts that the Rochdale Pioneers were members of the Chartist Club, who, becoming enamoured with Co-operation, incurred the displeasure of their colleagues by preferring trade in groceries to a threadbare discussion of the People's Charter. We have, however, direct evidence as to the political and social characteristics of some of these far-famed Pioneers. William Cooper, one of the foremost of the Rochdale Co-operators, in a letter to Mr. Holyoake (1865), describing the sixteen surviving members of the original twenty-eight, tells us that six were Chartists, six were Owenite Socialists, two styled themselves Social Reformers, the remaining two being apparently destitute of social or political opinion. William Cooper and Charles Howarth, the two leading spirits, and the prophet and the constitution maker of the modern movement, were Owenite Socialists; the latter a vigorous supporter of the Ten Hours agitation, deputed by the Rochdale working men to watch the progress of the Ten Hours Bill, and confer with members of Parliament in London. We may therefore infer that while Rochdale Co-operation was the joint outcome of the Trade Union, Chartist and Socialist movements, the leaven was purely Owenite, working in minds already disciplined for the difficult

duties of democratic industry by earlier and simpler forms of democratic association.

Now it is well to observe that the original aims of the Rochdale Co-operators were identical with the proposed objects of those first disciples of Robert Owen who established the Union Shops and Labour Exchanges. Once again we see that same English combination of business shrewdness in selecting a profitable undertaking such as shopkeeping, with an exalted moral ideal of the end to be attained. The Pioneers of 1844 set forth their immediate or ultimate designs in words similar to those used by the Brighton Co-operators of 1828.

> The establishment of a store for the sale of provisions, clothing, etc.
>
> The building, purchasing, or erecting a number of houses, in which those members, desiring to assist each other in improving their domestic and social condition, may reside.
>
> The manufacture of such articles as the society may determine upon, to provide employment of such members who may be without employment, or who may be suffering in consequence of repeated reductions in their wages.
>
> The purchasing, or renting of an estate or estates of land, which shall be cultivated by members who may be out of employment, or whose labour may be badly remunerated.
>
> And further: That as soon as practicable this society shall proceed to arrange the powers of production, distribution, education and government; or, in other words, to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies.

With regard to their method of transacting business, the Equitable Pioneers enforced cash payments for goods bought or sold by the society, and insisted on genuine quality in articles supplied to customers.

In this respect they unconsciously followed the example of the early corn-mills and baking societies, an example which has since been imitated, under stress of competition, by individual traders and middle-class joint-stock Co-operative societies, such as the Civil Service and Army and Navy Stores. But it is doubtful whether the Rochdale Co-operators could have upheld this equitable transaction of business, afterwards transmitted to certain forms of private trade, if Charles Howarth had failed to introduce the system of dividing profits on purchase—a system which resulted in the government of the store by the customers; *i.e.*, by the community at large. This system has many direct and indirect advantages; but it has had one peculiar and possibly unforeseen result: it established the Co-operative movement on the firm foundation of pure democracy.

Some readers may here remark that if the Rochdale Pioneers had been sincere followers of Robert Owen, they would have sold their commodities at cost price, plus the expenses of management—thus realizing the Owenite ideal of eliminating profit in the transaction of business. This method of fixing prices is, however, impossible in the conduct of retail trade. Retailing necessitates the division of goods bought in the bulk, at wholesale prices, into small quantities. The sale of these small quantities at cost price involves the use of fractions not represented in current coin. Take this problem in its simplest form. Supposing the manager of a store buys tea from a Wholesale firm at 1*s.* 10¼*d.* a lb., at what price should he sell three ounces? A half-penny or even a farthing added to or substracted

from the price of a few ounces of tea will mean a considerable profit or a great loss on the tea sales of a large store. Nor is the exact yield of a wholesale parcel always to be ascertained beforehand. How can the precise cost be computed of a quarter of a pound of a yet uncut side of bacon? And if we add to the wholesale price the expenses of management; and further, if we include all those delicate calculations of the reserve fund, needful for the extension of trade, of the depreciation of land, buildings and stock, of leakage and insurance, any attempt to fix prices so that the quarterly stocktaking shall show neither profit nor loss is manifestly impracticable. The Rochdale Pioneers, partly in order to accumulate capital, partly to avoid the enmity of the shopkeepers, accepted the current prices of the town as a fair standard, insisting only on the genuine quality of the goods sold. A surplus between selling prices and cost of production was therefore unavoidable, the question remained how to distribute it.

Now, the "profits" of a business may be paid to three different persons or sets of persons: (1) To the owner of capital; (2) To the workers (whether brain workers or manual workers); and (3) lastly, to the customers; *i.e.*, to the community at large. Thus the Rochdale Pioneers had three distinct courses before them. First, they might have paid all surplus profits as dividend on the original £28, a method which has been since pursued by the middle-class supply associations. Secondly, they might have divided their profits in proportion to the labour expended by each member in the service of the store: a method which would have been, in these early days

of the Toad Street Store, absolutely equitable, as all members were required, if necessary, to act in rotation as shopmen, buyers, and in other official capacities. Thirdly, they might adopt the new idea of dividing profits according to the purchases of each member.

Now, let us consider the different ways in which these three methods would affect the government or constitution of the store. Under the first system prices would be ultimately arranged to bring in the utmost profit to the shareholder. It would become a question of expediency with a body of shareholders, as it is with the individual trader, whether to lower prices in order to extend trade or to raise prices in order to increase net profits on articles sold. Or possibly a third course might be adopted—the course usually pursued by private traders—"leading" articles might be sold below cost price, the loss compensated by high prices or low quality in the more deceptive or expensive commodities. Or again, the store might be run by a corps of the Salvation Army, and prices lowered below cost to meet the needs of outcasts. The essential point, however, is not the exact policy pursued by such a capitalist store; it is the fact that its policy would be dictated by the interests, the vagaries, or the philanthropic impulses of a close body of shareholders, the store being governed by these shareholders for their own benefit or according to their own ideas. Vagaries and philanthropic impulses rarely survive in the hard world of competitive commerce; we may assume, therefore, that the profit-making instinct would usually dominate a close body of shareholders.

Secondly, it is conceivable (though the experiment has not yet been tried) that a certain number of shopmen, or other salesmen, might start a store on their own account, dividing profits, not on the capital contributed or accumulated, but on the labour expended. If the venture of these workers succeeded, they must of necessity become capitalists. We will assume, however, for the sake of argument, that these ideal persons resolutely refused to use their capital to employ outsiders to labour in their stead; and we will imagine that these admirable shopmen, in receipt of a large income from surplus profits, willingly shared these profits with every fresh shop-boy they might engage. In this extremely hypothetical case we might admire the tenacious industry of these men, we might praise their generosity in admitting as full associates the last carman or the latest counterman. But this truly ideal concern would still be the profit-making machine of a limited number of individuals. In its constitution it would be as far removed from pure democracy as the shop of the individual trader, or as the joint-stock company governed by a body of shareholders. Here again a strictly limited number of individuals would be making profit by supplying the needs and controlling the expenditure of the general body of consumers, checked only by the competition of other traders.

There remained therefore the third way of disposing of the profits of the Toad Street Store—dividing them as a percentage on the purchases. This was in fact an indirect method of realizing the Owenite ideal, and eliminating profit on price; for

the surplus over cost price, given by the purchaser, was returned to him in the form of bonus.

The origin of this expedient, apparently simple, but pregnant with a complete system of democratic industry, is enveloped in obscurity. Without doubt it was the Socialist Charles Howarth who suggested it to the Rochdale Pioneers; but whether he originated it, or had learnt it from the Scotch Owenite, Alexander Campbell, is not equally clear. Isolated stores in Scotland, and a Union Shop at Meltham in Yorkshire, paid profits to members according to their purchases in the early years of the first Co-operative movement; though, strangely enough, this fact was not discovered until the "tin ticket"[1] had been rendered famous by the commercial success of the Rochdale Store.

The state of the law with regard to Co-operative societies in 1844 may have, however, unwittingly prompted this method of profit-sharing. In default of a good Joint Stock Act, the Rochdale Pioneers registered their society under the frugal investment clause of the Friendly Society Act of 1836. By this registration they gained certain privileges—they could invest their funds in Government securities; they were exempt from stamp duty; and the association was to some slight extent protected from gross frauds on the

[1] Every purchaser at a Store organized on the Rochdale method receives some form of check, usually a stamped tin token, recording the amount of his purchase. At the end of each quarter these tokens are handed in, and the so-called profits of the quarter, termed "Dividend," are divided at a certain rate per £ expended. Usually this dividend varies from 1*s.* to 3*s.* in the £.

part of officials, trustees, and creditors. But as a Friendly society they were limited in their dealings to their own members. And though the Rochdale Pioneers paid no close respect to this provision of the law, it was clearly to their interest to add quickly to their numbers and to provide some means whereby the new associates should become interested in the success of the Store. They were also in urgent need of capital. Hence the original rules registered in 1845 contained the famous provision that, after paying interest on capital and the expenses of management, the remaining profit be divided quarterly among those members in proportion to the amount of their respective purchases. Presently a rule was inserted ordering the profits due to each member to be retained until he held five £1 shares in the society. The interest on capital was in the first instance fixed at 3½ per cent., afterwards raised (probably to prevent withdrawals) to 5 per cent. On this point it is interesting to note that at the present time the Rochdale Store is so over-burdened with capital that the qualification for membership has been lowered to £1, and the interest on capital has again been reduced to 4¼ per cent., the payment of even this amount depending on the purchase of £4 worth of goods by the member.

Now, though the legal obligation on the Store to deal only with its own members was swept away by the Industrial and Provident Acts of 1852, the peculiar method of dividing profits in proportion to purchases secured the rights of membership to all customers. Under the Rochdale system any man or woman may become a member by the payment

of 1*s.* entrance fee. In some stores the payment of this one shilling not only entitles the customer to the dividend on purchase, but also to a vote in the management; in other stores a £1 share must be first provided by accumulated dividends before the customer can become a voting member of the society, and take his full share in choosing the directors and deciding the policy of the Store. But this £1 is saved for him automatically; from first to last he is only 1*s.* out of pocket. And though the existing members of a society have a legal right to exclude new comers, there is no possible inducement under this system to limit the number of members. Quite the contrary; under good management, each new member, by increasing the trade of the society, adds to the percentage of profit on the whole turnover. For obviously no man can take more than the percentage of profit made on his own purchases; and with the relative decline of fixed charges peculiar to a growing trade, with the economy in labour, with the more advantageous terms open to large buyers in the wholesale market, the percentage of profit on each pound's worth of goods steadily increases as the association grows in numbers. Thus in all well-managed stores we witness a fervent desire on the part of officials and committee-men to include every inhabitant of the district within the charmed circle of profit-sharing and self-governing members. No man is too great, no man is too low, no man too rich, no man too poor—always supposing that he will buy and pay cash—to be included in this all-embracing democracy. Here we have no fixed or limited number of individuals (capitalists or workers) assuming

the government and absorbing the profits, but an ever-growing body of voters—a constituency in which the rights of membership are more easily attained than those of a municipal borough; an open democracy electing its representatives to manage one department of corporate life—the preparation and distribution of commodities for individual use.

This then is the grand achievement of *dividend on purchase*: it has provided a unique democratic foundation to an industrial organization. There are some who imagine that the democratic structure of the Rochdale Store was inherited from the constitution of a Friendly society, and embodied by the Industrial and Provident Acts of 1852, 1862, and 1876. This is not the case. The Civil Service Supply Association, established by the officials of the London Post Office in 1867, in imitation of the Rochdale society, was registered under the Industrial and Provident Act of 1862. The founders considered, no doubt justly, that the "tin ticket" was unsuited to the habits and contrary to the prejudices of the members of their association. Profits were in the first instance capitalized. The policy of the society was avowedly to sell as near as possible to cost price; but as I have shown above, profit or loss is unavoidable. From 1882 and onwards surplus profits were divided upon capital as in an ordinary joint-stock association. And what is the result? A share in this society, on which only 10*s.* has been actually paid, is now worth £125, and has yielded 12 per cent. (on a nominal value of £80) for the last ten years. The monopoly by a close body of shareholders of all surplus profits has had its inevitable result in an oligarchical form of govern-

ment. Out of 40,000 customers, the concern is governed and its policy directed by an inner circle of 5,000 shareholders.

A share in a working-man's Co-operative Store, on the other hand, can never rise above par. This, by the way, is a remarkable instance of eliminating "profit on price" in its most objectionable form—a direct result of the government of the Store by the whole body of customers. As the Store increases in prosperity, the interest on capital falls automatically, and has fallen in the majority of successful Stores during these last ten years from 5 per cent. to 4 per cent. The increased value of the concern, whether due to the growth of the surrounding population, to the exceptional energy and integrity of members and officials, or to the heightened power of federated trading and federated production—this unearned or unowned increment (in so far as present members are concerned), is distributed throughout the community to all who care to claim their share by becoming members of the society.

I have purposely dwelt on the real significance of dividend on purchase for the very reason that it has been habitually ignored both by the general public and also by some of the foremost Co-operators. For it is usual to dismiss the tin ticket as an automatic savings bank, as a patent mechanism for accumulating capital, or as an admirable provision for quarterly expenses unprovided for by weekly wages. All these uses of the Rochdale system have enormously contributed to the steady growth of the Co-operative movement among the working classes. But these advantages are on the surface; they serve to advertise

a principle which powerfully but silently promotes the spread of the spirit of association. Like the artful dressing of the window of a Co-operative Store, they are calculated to display a really sound article.

The healthy democratic instinct of the Rochdale Pioneers discovered itself anew in their regulations with regard to voting. One man, one vote, and no proxies is a sound doctrine of suffrage. Members who are indifferent to, or careless of the welfare of the society, are disfranchised by non-attendance. Persons, and not property, form the constitutional basis of the Rochdale system. Women are admitted to full membership, and can serve the society as representatives, officials, and employées. Moreover, forty years previous to the Married Women's Property Act, store managers, sublimely indifferent to the terrors of the County Court, habitually refused to consider the husband as the owner of the wife's savings.

A pathetic record of the inner life of the Rochdale Equitable Pioneers for the first years of troubled infancy is unfolded in the illiterate but tersely-worded minute book of the society. Throughout those terrible years of commercial depression, 1846–49, "distress cases" generously responded to, forced sales of shares by starving members, were a heavy financial drain on the young and struggling association, while the internal disorders peculiar to an inexperienced democracy, ignorance of commercial matters, religious and political dissension, personal suspicion and personal slander, threatened the society more than once with dissolution. But the sterling honesty and strong sense of the Pioneers steered the society clear through all difficulties; while the spirit of justice

and desire for fair play among the whole body of members is well illustrated by the typical resolution passed unanimously at a general meeting in 1850: "that every member shall have full liberty to speak his sentiments on all subjects when brought before the meetings at a proper time and in a proper manner; and all subjects shall be legitimate when properly proposed." With less wisdom, a resolution was passed at a general meeting in 1851, that board meetings should be open to all members of the society—a resolution somewhat similar in its crude democratic aspiration towards publicity to the suggestion that the minutes of Cabinet Meetings should be published in the daily papers. It is needless to say, that after a short interval this rule was either dropped or rescinded.

There is, in fact, endless interest in these records of the tentative growth of the Rochdale Store, but my limited space forbids me to examine into more than one question—I mean the gradual change or development in the relationship of the society to its servants. At the opening of the Store, all services were voluntary and unpaid, tendered at their own sweet will by the leading members or promoters of the association; but we see an attempt to force all members to contribute their quota of labour under a penalty of fines —a rotation of services of all the members, whether skilled or unskilled in the trade of shop-keeping—the naïve idea of an infant democracy. Presently as the society grew in consequence, trifling sums were awarded for the time expended, and compensation for money actually out of pocket in journeys to and fro on the society's business. In the minutes of a

board meeting in 1851, we discover the first appearance of discipline: "that no person save the superintendent or the board shall set any person to any work or business at the Store, or for the society; and that no person shall be paid any wages or allowance except so engaged." And at the following quarterly meeting the first salaried officer was appointed in the person of James Smithies, one of the original Pioneers, to act as secretary at a salary of £15 a year, with a staff of a superintendent and two shopmen at the weekly wages of 18*s.*, 16*s.*, and 15*s.* respectively. At this meeting the highly significant resolution was passed: "that no paid officer be a member of the board, or a member of the board be a paid servant."

This obligation on the part of a salaried official or paid servant not to offer himself for election as one of the governing body, was followed some years later by a resolution stating that no official or servant of the society should vote in the election of the board of directors. I am told that this further disqualification arose out of the following incident. A certain manager of the society applied to the committee for a rise of salary, on the ground of a rapidly increasing family; the committee, advised by the most experienced of its members, demurred to his plea. At the second meeting of the members, at which the unsympathetic committee-man stood for re-election, the manager assembled all the employees of the society in force, and with their aid and a little judicious wire-pulling among the members at large, succeeded in defeating the most obnoxious of his governors. This defeat of a committee-man for an

upright, though possibly mistaken refusal to gratify the desires of a subordinate—a defeat brought about, not by disapproval on the part of the community of his policy in this or other matters, but by the active intervention of the individual whose personal interest was at stake, was deemed out of harmony with a democratic constitution.

Hence the present clause was incorporated in the registered rules of the Rochdale society: "No servant of this society shall serve any office in the committee of management, nor be allowed to vote for any candidate for the committee of management, or be an auditor on any account whatsoever." The disqualifications of employees for official positions has become a constitutional principle with working-men's Stores throughout the country, while their disfranchisement as voting members obtains as a custom, a resolution or a rule in some of the largest and most successful societies.

Now this spontaneous and empirical development of the relations between a miniature democracy and its servants is both interesting and instructive; first, because it is in direct contradiction to the view held by the individualist[1] school of Co-operators (views

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[1] The term *Individualist* has been used within the Co-operative movement for the last twenty years to denote that school of Co-operators who insist that each separate manufacturing establishment shall be governed (and if possible owned) by those who work therein; the profits being divided among these working proprietors. Hence the cry "the mine for the miners," "the land for the labourers" (I do not know whether they would add the school for the schoolmasters, or the sewers for the sewer-cleaners). Those Co-operators who, on the other hand,

which we shall discuss in the chapter describing Association of Producers); and secondly, as it is in exact harmony with the English, as distinguished from the American system of Civil Service. In America as Mr. Bryce has told us, federal and state office holders, from the ambassadors at foreign courts to village postmasters and government clerks, form the inner circle of politicians depending for their advancement and livelihood on the success of their leaders. American office-holders are the most active electioneering agents, the most devoted vassals of their party, their official incomes taxed, their talents used, and their official time expended in the service of their political patrons. The results of this system on the purity and efficiency of public administration are only too notorious.

In England, on the other hand, the Civil Service is strictly isolated from the representative system of the country. Not only are civil servants debarred from sitting in Parliament, but strict custom and stern etiquette forbid them from taking an active part in political propaganda, or party electioneering. This is more especially the case with highly placed office-holders, the men whose fortunes might be most materially advanced by the success of the party to which they belong. In short, English law and English custom assert that the official shall be the servant of the whole community, instead of the grateful adherent of the person or party to whom he owes his position. Hence the English civil servant, like

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advocate the democratic administration of industry (after the model of political democracy) are usually styled *Federalists*.

the Co-operative official, is cut off from all temptation to repay personal injury under cover of public policy, or to render services which might be construed as gratitude for favours to come. So far the successful form of Co-operative association has moulded itself according to the law and principle of the British constitution.

In 1847–48, several stores on the Rochdale model were started in the immediate neighbourhood, at Bacup, Todmorden, Leigh, Salford, Padiham, and Middleton; and in 1851, we learn (from a list published by the Christian Socialists) that there were already some 130 Co-operative Stores in the north of England and in the Midlands of Scotland.

The membership of these stores, it is true, rarely reached fifty, and in few instances exceeded a hundred, Rochdale standing pre-eminent with its 670 members. Broadly speaking, these Co-operative societies were scattered over the same area as that occupied by the first Co-operative movement, the manufacturing districts of Lancashire and Yorkshire and Glasgow and its neighbourhood. A goodly number of the Scotch societies contained in this list were, in fact, old institutions dating from the beginning of this century, lingering on in a half moribund condition; or Union Shops founded at different intervals from the first Co-operative movement and onwards. Indeed, if we may generalize on slight data, Scotch workmen seem to have been more tenacious but less eager and fertile in Co-operative effort than their English brethren. In the majority of the Scotch societies of 1851, profits were either divided equally among all members, or upon capital.

But before the end of that decade Scotch Co-operators gave an enormous impetus to the movement among their own countrymen by adopting the Rochdale system, declaring with characteristic patriotism that it had been recommended by Owen's Scotch disciple, Alexander Campbell, as early as 1823.

The determining motives and immediate cause of this new departure among the operatives of Lancashire and Yorkshire, which resulted in the second Co-operative movement, were apparently of like nature with those of the Rochdale Pioneers, strengthened of course by the example of the Rochdale Store. In some instances the Chartist club became the Chartist shop; in other cases, such as Bacup, the Co-operative association arose out of an unsuccessful strike, during which, retail traders sided with the masters, and refused credit; while a general desire on the part of the factory hands to emancipate themselves from the truck system and the forced tenancy of masters' cottages was an exciting cause of no mean strength. But viewed in its widest aspect, the rapid and successful establishment of stores in certain districts was part of the general transference, described in the preceding chapter, of the spirit of the association from a political into an industrial form,—a metamorphosis that discovered itself with less success, but with more romance in the General Redemption Societies of Leeds, Bury, Stockport, Pudsey, Norwich, existing between 1847 and 1851. These Redemptionists were loosely organized bodies of working-men and others who purposed to redeem labour by penny subscriptions, and held communist views of an advanced Owenite type. The generous enthusiasm

of these unknown men and women who persistently paid hardly earned coppers into a common fund, without hope of immediate or personal gain, was not barren of good to future workers. Like other Owenites, they failed in their avowed object; but they engendered and diffused the spirit of association, and in many cases laid the foundation of the stores of Lancashire, and the corn-mills of Yorkshire.

I shall not attempt in this slight sketch of the Co-operative movement to enter into an elaborate description of all forms of Co-operative association; I shall seek only to point out the main constitutional features of types which have failed, and types which have succeeded. Co-operative corn-mills, with their present yearly output of nearly £2,000,000, are the most striking examples of successful Co-operative production. From a historical, as well as a constitutional point of view, they are closely allied to the Co-operative Store; a brief outline of their rise and development belongs therefore to this part of the narrative.

The reader will remember that the isolated corn-mills and baking societies established in the beginning of this century were carried on by bodies of consumers, and in the consumers' interest. This fact has remained the one cardinal feature of the Co-operative flour trade; in all instances these productive societies have been instituted and are governed by working men as consumers and not as producers. The Rochdale system of dividing dividends on purchases was therefore admirably adapted to develop the trade of the Yorkshire corn-mills, established contemporaneously with or shortly after the Rochdale Store.

Co-operative corn-mill societies (including both the living and the dead) may be divided into four distinct types. I. Societies owned and governed by individual shareholders. II. Mills which have become, or which started as productive departments of an individual store. III. Flour societies which have a mixed membership of individual shareholders and stores, but which are practically governed by representatives of the stores. IV. Purely federal institutions owned and governed by groups of societies in which an individual is not allowed a share or a vote. Of these four classes the first type, —the society owned and governed by individuals— has become well nigh extinct. Out of fifteen societies started by individual shareholders, the two largest and most prosperous, Leeds and Halifax, have changed their constitution ; eleven have failed, while the trade of the four remaining societies has dwindled to 3 per cent. of the total turnover in Co-operative flour.

The People's Mill, at Leeds, was promoted by the General Redemptionists of that city in 1847, on the broad basis of 2,000 members and a paid-up capital of £2,000. The society quickly grew in prosperity and importance. In conjunction with the parent organization—the General Redemption Society—the Leeds corn-mill distinguished itself in 1848 by directing public attention, through a deputation to the Home Office, to the imperfect state of the law with regard to Co-operative societies, and thus initiated the quiet but persistent pressure on Parliament to which the Co-operative movement, as a highly organized body of working men, largely owes its commercial prosperity and political influence. In 1856 the Rochdale system

of dividend on purchase was introduced into the constitution of the Leeds corn-mill, and the society at the same time opened a shop for the sale of general provisions. Presently the store became the central institution with the corn-mill as a productive department, other productive departments being added in succeeding years, such as boot-making, tailoring and building.

To this class belong the mills of Aberdeen, Banbury, Barnsley, Carlisle, Cleator Moor, Leicester, Leigh, Lincoln, Mansfield, Sheerness and Stockton-on-Tees —all worked as productive departments of Co-operative stores. Apparently about 20 per cent. of the Co-operative flour trade may be ascribed to the productive departments of individual Stores.

The Halifax mill was promoted in the same year as that of Leeds by a body of working-men dissatisfied with the high price and bad quality of flour. At first profits were capitalized or divided in kind among the shareholders ; and agents were employed to sell the flour to the public. In 1856 the society adopted the Rochdale system ; 1863, the Halifax Store made its first purchase from the Flour Society ; and in 1873 two-thirds of the flour was purchased by the Stores of the district. In this year an important change was made in the constitution of the society : Stores were admitted to membership and were further endowed with one vote for every hundred of their own members. This alteration in the constitution transferred the control of the Flour Society from individual capitalists to the representatives of the distributive Stores ; and the Halifax corn-mill, like the Sowerby Bridge mill in after years, became practically a federal institution.

To this class belong the important flour societies of Rochdale and Oldham, established in 1851 and 1868, by the distributive Stores of their respective districts.

In these societies certain individuals were allowed, in the first instance, to contribute capital, and are therefore members. But owing to a distribution of voting power similar to that in the Halifax society, the government of these productive associations is practically carried on by the delegates from the shareholding Stores, *i.e.* by the representatives of the general body of consumers.

These four societies claim between them 66 per cent. of the turnover in Co-operative flour. The remaining 9 per cent. of this Co-operative manufacture is undertaken by the latest type of flour society—the purely federal societies of Derwent and Slaithwaite. To these will be added in the course of this year the giant institution of the Dunston-on-Tyne, the property of the Wholesale Co-operative Society, with an estimated capacity of 6,000 sacks per week.

The salient fact, therefore, in the history of Co-operative flour societies is the gradual decline in numbers, and relative importance of corn-mills belonging to a close body of shareholders and partaking of the constitution of an ordinary joint-stock company, and the uprising in their stead of flour-mills owned and governed by the open democracy of the Store, or of a federation of Stores. For this fundamental distinction between a productive association conducted for the profit of a few, and a manufacturing concern governed by the representatives of a purely democratic body, is equally apparent in the transformation

of the Leeds mill into a productive department of the Leeds Store, as in the alteration of the Halifax Flour Society into a federal institution. But owing to the rapid improvement in machinery, the manufacture of flour on a large scale has become progressingly profitable. Co-operators have hastened to avail themselves of the economic law of "Increasing Returns," and have concentrated the trade and capital of groups of distributive stores in single productive societies.

This coming year we shall witness federation carried to its extremest limit, and the manufacture of flour undertaken by the Co-operative Wholesale Society—itself a federation of nine hundred working men's Stores modelled on the Rochdale system.

Thus, in this slight sketch of the rise of Co-operative flour-mills, I have been irresistibly carried forward to another part of my narrative—the federation of Stores for specific ends. The growth of the federative instinct—the rise and consolidation of the sister federations,—the Scotch and English Co-operative Wholesale Societies will be the subject matter of my next chapter.

CHAPTER IV.

FEDERATION.

THE federation of self-governing bodies, the delegation by those bodies of certain powers to a central institution, is apparently an outcome of democratic organization when it arises untrammelled by the tradition of an antagonistic form of government. We have witnessed the growth of complete political federation in the American and Swiss republics; we observe the present development of a federal constitution in Australasia; and, within our own democracy, there is a nascent desire (the justice and expediency of which I do not discuss) for a gradual dissolution of the old ties binding together different parts or sections of the State, imposed by an over-riding central authority, and the substitution of a federation of Home-Ruling countries, counties and municipalities—a devolution from a central to a federal government already exemplified in the present Canadian constitution. In the great democratic organization of Trade Unions, we note this same tendency: English Trade Unions are loosely federated, in the more democratic Australia they are closely federated, and in America, that land of industrial monarchies, the exaggeration of the federal tie into an end, instead of a means, threatens

from time to time the independence of the various trades, and the absorption of these in gigantic labour trusts; while among the workers of all countries and all classes, the new idea of an universal federation of labour is actively at work counteracting the upper and middle-class ideal of a militant nationalism.

But whether or no federation is a peculiar and distinctive characteristic of pure democracy, we may safely assert that in the Co-operative movement it was the democratic constitution of the Store which alone secured to the federal principle a fair start and ensured to the federal institutions a safe and progressive future. It was government by the customers (that is, by the community, or such of the community as chose to take part) that forced the officials of different societies to arrive at the best methods of book-keeping, auditing and stock-taking through discussions at the district conferences, as well as to secure by combined action in wholesale trading and manufacture the best quality and the lowest price in goods supplied. A society governed by a close body of workers or shareholders absorbing all profits arising out of transactions with the outside public would be more than human if they instructed their competitors in the art of buying and selling. But with the government of the store by the customers each society is as willing to teach as it is anxious to learn. Emulation among the officials of different stores—a natural desire on their part to associate their names with a definite improvement in the technique of shopkeeping, with another step in Co-operative enterprise, patent to the members of their own and other societies, replaces the equally

natural desire of profit-makers, or the agents of profit-makers, to keep all special information for their own use. Again, it is the continued government of the Store by the customers that forces, year by year, a larger proportion of the Co-operative trade into the hands of the federal institutions —the Wholesale Co-operative Societies of England and Scotland. Members know well enough the temptations to which managers and buyers are exposed in the open market—not merely in the vulgar form of bribes, but in the self-importance of trade patronage. Loyalty to the central institution is doubtless an all-important motive with upright officials and high-minded committee-men ; but these motives are strengthened and confirmed by the self-protecting instinct of the rank and file of customer-members, glad of a guarantee that sinister influence shall have no effect on the quality and the price of the goods they consume.

On the other hand, though we have witnessed temporary combinations among private tradesmen and joint-stock supply associations for militant purposes—self-protecting alliances against each other, the law or the public—there has been no federation among these private dealers or joint-stock associations ; no desire on their part to perfect a common system of trading or to delegate to a central body, serving all with equal skill and diligence, definite industrial functions. In manufacturing enterprise, trusts and combinations are formed to limit output and raise prices, combinations designed, not to obtain the best quality at the lowest price for the community, but to force the community to accept com-

modities on terms highly remunerative to the capitalist producer. But for various reasons, into which we need not inquire, this form of combination does not obtain in retail trade. And where monopoly is impracticable the war of competition is, and must remain, the first and foremost instinct with individuals or companies extracting profit out of the public, and must transcend in its intensity all the more weighty reasons—from the point of view of public convenience—in favour of the methods of accumulated intelligence and the results of joint enterprise.

Rochdale, the Bethlehem of democratic Co-operation, served as a central light from which radiated in an ever-widening circle a keen and practical desire for democratic federation. And it is noteworthy that even in the first Co-operative movement—while Owen and his middle-class followers were projecting in London and elsewhere elaborate plans for dividing the United Kingdom into Co-operative districts—Lancashire and Yorkshire working-men Co-operators were engaged in a determined though ill-fated effort to support a Wholesale Trading Society in Liverpool which served also as a labour exchange for the surplus products of the north-country Co-operative societies. Now the Lancashire Co-operators of 1850 exhibited the same practical instinct that characterized their forerunners of 1830. They started with no grand national scheme of universal fellowship; they aimed simply to supply the immediate wants of their own and other societies. But, unlike their predecessors, they had a firm foundation upon which to build—the democratic constitution of the

Store. Further—and this is a fact of historical significance—the penny postage introduced in 1840 secured to these latter-day Co-operators a means of frequent communication, and rendered feasible, for the first time, the present consolidation of the Co-operative, trade union and political associations of working men. In truth, it is doubtful whether any single measure passed by the British Parliament during this century has had a more potent effect in accelerating the democratic control of our national life than the cheap and uniform postage invented by Rowland Hill, denounced by that superior person, Sydney Smith, as "the nonsensical penny postage scheme"; and "forced on an unwilling Liberal Ministry" (to use the words of a Whig historian) "by the clamour of a nation."

The first conference of the representatives of these miniature democracies was convened (so far as I have been able to gather from the minute-book of the Rochdale Store) by the Pioneers in the early part of 1850—presumably to discuss the proposed Federal Corn-Mill established at Rochdale at the close of that year. From that time onward conferences were held in the various centres of Co-operation in Lancashire and the neighbouring counties: the more important and representative of these meetings taking place on the Good Fridays of succeeding years. Gradually with the rise of Stores in other districts, the habit of discussion, with the desire for joint action, spread southwards to the Midlands, and northwards to Durham and Northumberland and across the border to the Co-operators of Glasgow and its neighbourhood. The subjects discussed and plans proposed

at these informal Parliaments of democratic industry may be classed under four headings: (1) Federal institutions for the wholesale buying and manufacturing of articles of common use. (2) The technique of shop-keeping, such as the best system of checks, leakage, book-keeping and auditing, the most advantageous markets for purchasing, as well as window-dressing and other arts of selling. (3) Proposed changes in the law with regard to Co-operative societies. (4) Propaganda in unconverted districts. Out of these discussions arose, in the first instance, the various minor federations—flour mills in England, bakeries in Scotland, and now and again less successful attempts to undertake federal purchasing, manufacturing, mining and farming ; while the propagandist and political work was taken over by the Lancashire and Yorkshire Conference Association, aided by a small knot of London talent—the Christian Socialists. But the federal idea assumed presently larger and more permanent proportions. In 1863 Lancashire Co-operators founded the North of England Co-operative Wholesale Society, which became, ten years later, the English Wholesale Society, with branches at Newcastle and London. In 1868 Scotch Co-operators followed suit with the Scottish Wholesale Society, with its headquarters at Glasgow. To-day these two sister institutions include as members the vast majority of distributive Stores within the United Kingdom. They are in no way competitors ; and though each is under a separate and distinct government, they are federated for specific purposes. The propagandist and political work of the Lancashire and Yorkshire, the Northumberland

and Durham Conference Committees culminated in the institution in 1869 of the Central Co-operative Board, afterwards the Co-operative Union. This political and propagandist league now embraces 1,200 associations, with a membership of 993,000 persons. For the Co-operative Union includes not only the two Wholesale Societies and the great mass of distributive Stores throughout the United Kingdom, but encourages and protects with an open-hearted tolerance—some might say with a lack of discrimination—Co-operative societies of all sorts and conditions, whether born with straight or with crooked constitutions, whether formed for common or cross purposes.

Here, I should like to note a general fact typical of the past history and present state of Co-operative industry—a fact which adds at once to the simplicity and to the delicacy of the historian's task. The discovery of some new form of industrial enterprise, the creation of the larger or more powerful financial, manufacturing, or commercial houses has been usually associated, in the public mind, with the personality of some promoter, *entrepreneur*, or manager of unusual ability. To originate, control, and expand a single concern, such as the English Wholesale Society (to take one instance), with a yearly turn-over of £8,000,000, with a trade rapidly increasing year by year, not only in extent, but in complexity and variety, would require, according to the ordinary canons of trade experience, a "one-man power" of no mean capacity. And yet I have failed to discover in the history of Co-operative institutions any one man, or even group of men, who have contributed in an absolutely pre-eminent degree to the unpre-

cedented commercial success of the democratic form of Co-operation. The successful establishment of individual stores with yearly trades varying from £100,000 to half a million, the foundation and building up of the two great Wholesale Societies, the gathering up of the political and social influence of near a million Co-operators in one single Union is, literally speaking, the *Co-operation*, or joint work of thousands of honest, capable, self-devoted citizens—men standing as a class far above the average in intelligence and practical sagacity, but presenting a high level, rather than peaks and chasms of efficiency, varied, it is true, here and there by examples of self-subordination, scrupulous integrity, enthusiastic industry, rising to the heights of moral genius. For, so far as I have been able to discriminate from among this army of workers, men of signal service, these men have been characterized by moral worth rather than by intellectual talent—a proof, possibly, of Mr. Herbert Spencer's generalization that in an advanced stage of civilization (and such we may assuredly regard the Co-operative movement) character will be more highly esteemed than intellect Moreover, the success and failure of Co-operation in certain districts (facts which will be graphically demonstrated in the coloured maps) has depended emphatically on the presence or absence of the root-qualities—of the prime, active element—of democratic self-government in the community at large. Hence, if I omit or repeat, in the following brief sketch, the names of dead or living Co-operators, it is with no desire or intention to ignore or to distinguish their several services. It is a moving multitude of men

that I seek to describe; and here, as elsewhere, the unseen depths of the current add equally with the bubbling surface to the bulk and swiftness of the stream.

Now, as we have seen above, the work of the district conferences branched off into two different channels: the development of co-operative trade and manufacture in the two great Wholesale Societies on the one hand, and the political and propagandist action of Co-operators embodied in the Co-operative Union on the other. These two separate streams of Co-operative activity are constantly re-uniting and again diverging; but in the main they have run in distinct though parallel channels. As the political power and social influence of the Co-operative Union is based on the solid success of the two commercial federations, it will be well to trace first, in brief outline, the story of the Wholesale Societies of England and Scotland.

First we read of failure. Two years after the successful establishment of the Rochdale corn-mill, the Pioneers, in accordance with a resolution passed at a Co-operative conference at Leeds, opened a wholesale department at the Rochdale Store to supply members and other societies with goods in large quantities. This department was managed by a committee of the Rochdale society. But from the outset the venture met with slight response; it lingered on for three years, and died of the apathy of indifferent customers. In truth, the neighbouring Stores (so Mr. Holyoake tells us), for whose benefit it had been established, imagined the Rochdale society made undue profit out of their purchases, while a

considerable number of the Pioneers considered they were conferring privileges on other Stores "which a due regard to the their immediate interest did not warrant them in bestowing." The want of confidence and satisfaction on both sides was natural; the arrangement in itself was unsound and unbusiness-like. For either the Rochdale Pioneers were giving their brains and their capital without remuneration and definite recognition, or the purchasing Stores were debarred from a just share in the government of the lucrative concern they were themselves creating.

But in spite of the indifferent result of the Rochdale experiment, the idea of a central agency remained a staple subject of discussion at the district conferences. Early in 1863, at a Conference held at Oldham, Abraham Greenwood (then chairman of the Rochdale Pioneers) submitted a definite and well-considered scheme to the delegates of the Lancashire and Yorkshire Societies. His main proposals were these: (1) That a wholesale agency should be opened in Liverpool or Manchester; (2) that the members should be Co-operative Stores and that individuals should be excluded; (3) that each Store should contribute capital according to the number of its individual members and should possess votes on the same basis; (4) that the Stores which became members should pledge themselves to deal exclusively with the central agency for those articles which it supplied; (5) that the method of trading should be cash payments and cost prices plus a small percentage as commission. At a conference at Manchester on the Good Friday of that year, Greenwood's proposals

were unanimously agreed to, and Manchester was selected as the head-quarters of the Society.

The Co-operators lost little time in carrying out this project. In November, 1863, "the North of England Co-operative Wholesale Industrial and Provident Society, Limited," was registered under the Industrial and Provident Act of 1862. A committee was elected consisting of three delegates from Rochdale, two from Manchester, one from Preston, Oldham, and Middleton respectively, with Abraham Greenwood as president. Forty-five societies became responsible for 1,400 £5 shares. The rule obliging each Store to deal exclusively with the wholesale agency was omitted; and the plan of charging cost prices plus a fixed commission was presently discontinued, and the Rochdale system of charging market prices and dividing profits on purchases adopted. And as these so-called profits have since been as fruitful of discord as Paris' apple, it will be well to understand the exact nature of this change.

The original scheme of Abraham Greenwood contained the following words: "Stores would be supplied through the agency at cost price, plus the small commission to cover the expenses of the agency. It would be absurd to put profits on goods bought, merely to divide them by way of dividend." But this absurdity was found, nevertheless, in the course of the first year of the society's existence equitable and expedient. We are told by a competent authority (Mr. Nuttall's Paper at the London Congress, 1869) that the system of cost price plus commission resulted in Stores dealing with the central agency for commodities charged below current rates, and pre-

ferring other firms when the goods supplied by the central agency chanced to be bought on less advantageous terms. As it passes the understanding of man—even though he be an official of the Wholesale Society—to buy all things, and at all times, better than his trade competitors, the central agency lost heavily on bad bargains, and gained no corresponding advantage on more skilful or fortunate operations. Other reasons, such as the difficulty of fixing a commission that would exactly cover expenses of management, depreciation, insurance, reserve fund, besides the aid afforded by the quarterly dividend to the enrolment of small societies through the mechanical accumulation of the share capital required from each member, strengthened the preference of the proprietors for the present system of returning the surplus over cost price in the form of dividend. But this so-called profit of 3*d.* or 3½*d.* in the £ is not more 'put on goods bought," to use Mr. Greenwood's terse phrase, than if it were charged as a commission: the only difference being that in one case the commission is calculated before the expenses have been fully incurred and charged on each separate article; whereas under the Rochdale system, the prices fixed cover a general margin distributed unequally over all commodities, wherefrom the actual expenses are afterwards deducted and the remainder returned as a virtual discount on all goods paid for, whether it be Batley woollens manufactured at a positive loss, or tea bought and sold at a very considerable profit. Here again Co-operators have proved faithful to the one fundamental doctrine of Owen's Co-operative system of industry—the absorption of profits by the

community, and the elimination of the profit-maker. Thus Greenwood's original scheme was practically embodied in the constitution of the Wholesale Society—a constitution which, in its essential features, has remained intact to the present day.

But before we depart from this question of profit, I should like to propose to the reader a problem which I will leave him to solve. Is it possible for an association of consumers to realize profits? Profit I imagine to be the net result from two distinct operations: the act of buying and the act of selling (I include within the act of buying all payments such as rent of land, of capital, and of ability, as well as the price of raw material and the wages of labour). But if I produce for my own consumption, I buy the raw material, but I do not sell the product—therefore I make no profit. And if, further, I engage an artist to paint my portrait, an architect to build my house, or a landscape-gardener to lay out my grounds (supplying them with all materials), a bailiff to grow my corn, a foreman-miller to grind it, a cook to bake it, while I and my household enjoy or consume the whole product I realize no "Profits." A steward may supervise all these operations, or I may be my own housekeeper; the wages I offer may be mean, or they may be extravagant; I may pay by the day, or I may pay by the piece, but whatever remuneration I choose, or am forced to give, I cannot ask my employees to share in a fund which does not exist —profits.

Now, the substitution of a body of consumers *in association*, acting through their representatives, for the householder supplying himself and his family, in

no way alters the fundamental fact that these persons produce in order to consume and not in order to sell. For the member who buys an article at the counter of the Store, the manager who orders and pays for a "line" of Leicester boots from the Wholesale Society, is simply depositing in the hands of the officer of the Association a sum to cover the expenses of trading and manufacturing which have been or will be incurred in the production of those commodities. Market prices are usually, though not always, taken as a rough estimate of the probable cost of production. And here we have the explanation of the "bitter cry" of the delegates at quarterly meetings of the Wholesale Society—"Lower the profits"; which to translate into plain language is simply a request to the directors of the Wholesale Society not to exact a deposit which more than covers past or prospective expenses—a gentle hint that the Stores would prefer to keep the surplus cash in their own pockets. Moreover, in an Association of consumers, as there are no profits, there is apparently no place for the profit-maker. The profit-maker is essentially the person who obtains a market for the product of his own or other people's labour. But in an association of consumers the market is secured; since the members are forced either to consume what they have produced and pay the cost of it, or become insolvent and give up housekeeping on their own account. Like the aforementioned householder, the Association engages certain individuals to perform certain services with their brains and their muscles; these services the Society may requite according to their quality and quantity (piecework), or by the duration (day work and

salaries). Hence if a rise of remuneration be enforced by the workers, or conscientiously insisted on by the representatives of the community, this extra pay must be charged on the cost of production, and should take the form of increased wages or salaries.

Again I urge on the reader to consider this problem, for if this analysis be correct, we have discovered the admirable logic of the reiterated objection, on the part of the advocates of profit-sharing, to this form of industrial enterprise—to manufacturing establishments owned and governed by Associations of Consumers.

We may have thus discovered an economic as well as an administrative chasm between the rival theories of Co-operative industry. Leaving the reader to solve this problem, we will return to the main course of our narrative.

The history of the society has been one of uniform progress. But the tenth year was marked by a constitutional crisis. The autumn and winter of 1872–73 closed abruptly the tentative and timid times of childhood, and opened out a stormy youth of disturbance within and struggle without, terminating happily in the even ways and forward policy, and in the sound democratic constitution of the present society. At a quarterly meeting November, 1872, the assembled representatives of the shareholding societies sanctioned the committee's proposal to purchase the Crumpsal Biscuit Works, as well as their plans for a boot manufactory; they determined moreover to drop the provincial prefix of "North of England," and assume a national form under the title of "Co-operative Wholesale Society." To quote

the high-sounding words of a writer in the *Co-operative News*, "this meeting was a moral triumph: at length a new step in Co-operative progress is about to be taken by the commencement of Co-operative manufacturing on behalf of the Federated Stores." In the course of that year, a banking department had been opened in pursuance of a resolution of the Bolton congress, 1870, "deeming it better that pressure should be brought on the Wholesale Society to begin banking rather than to seek to establish a separate institution." The Wholesale Society therefore emerged, from this year of new departures, as the universal purveyor of the Co-operative world in place of the wholesale agent of north county stores.

But from the events of this decisive period arose alike the immediate difficulties and future triumphs of the English Wholesale Society. Uniting, in one body, delegates from the northern and southern Co-operative societies, conflicting ideas as to the strait and narrow way to Co-operative salvation were inevitable. The losses consequent on inexperienced and restricted banking operations, during eight years of alternate trade inflation and trade depression, gave cause for active discontent. The aggressive and progressive enterprise of the central institution in the production of goods for the benefit of its members (in spite of the oft-repeated reproof of the individualist school of Co-operators) became always recurring themes of hot dispute and silent heart-burning, threatening at various intervals, for the next ten or fifteen years, to rend the Co-operative kingdom asunder, and even now emitting feeble flames of

dissension. The Bank, after confessing to bad behaviour, writing off its bad debts, and handing over as "going concerns" to the trading department some of its insolvent creditors, has subsided into a successful but subordinate department, collecting the moneys of the Co-operative Stores; lending on a large scale to the trading department, with timid discretion to joint-stock companies; supporting their customer-members in critical times, and depositing the surplus (on better terms than could be secured by the individual Stores) in other banks or investing it in consols. The banking department of the Wholesale Society is, so far as I know, the one solitary example of mutual banking: the yearly cash transactions are £24,000,000, the bulk of which is with the members of the Wholesale Society. All profits are divided among customer-members in proportion to their transactions. In the banking department, as in the trading department, no individuals have accounts.

But the small losses attending the first ventures in production were not regarded with like tolerance and equanimity; neither did ultimate success act as oil on troubled waters. As often as not, in the stormy scenes at the quarterly meetings of the society, matters of detail in the conduct of productive departments, friction between manager and man, the ill fit of a Leicester boot, the wrong complexion of a Crumpsal biscuit, were confused with the rival theories of the federal and individualist school of Co-operators—representing, broadly speaking, the north and the south. The individualist view and the individualist practice of Co-operation I shall describe in the following chapter on Associations of

Producers. In the development of the English and Scotch Wholesale Societies, we see the most complete demonstration of the federal theory. It will be well, therefore, to outline rapidly the slightly different development and constitution of the Scottish Wholesale Society before we consider these two aspects of federal trading and production simultaneously.

The spread of the democratic form of Co-operation —the direct but unconscious outcome of dividend on purchase—was slower in Scotland than in certain districts of England. Scotch working men, if we may judge from the experience of the Co-operative movement, are more suspicious of new ideals and of the men who preach them, but more persistent and determined in realizing these ideals when once they are accepted as right and practicable. Hence the Rochdale system had to encounter not only the inertia and indifference of the unconverted, but the tenacious survival of Union Shops dating from the first Co-operative movement, of Co-operative bakeries lingering on over half a century, and all alike dividing profits on capital. From 1850 to 1860, bitter struggles between the old and new Co-operators within these old-established societies ended either in the victory of the latter and the adoption of the Rochdale system, or in the secession of a minority and the formation of a rival society, compelling its antagonists, sooner or later, by the impetus of competition, to democratize its constitution through the device of the tin-ticket. It was not, however, till 1864 that the new societies had secured a sufficiently firm footing to hold conferences and strike out a

definite desire for federation. At the conference in 1866 (at which forty-five societies were represented) a representative attended on behalf of the English Wholesale Society, described its origin, objects and success—an explanation which was followed by an unanimous resolution recommending the retail societies in Scotland to take shares in the English society and accept it as their wholesale agent. But the lapse of a year proved that the English Wholesale Society was neither able to arouse the enthusiasm of Scotch Co-operators, nor willing to provide depôts and channels for the Scotch trade. At a Conference held at Glasgow, 1867, a representative was instructed by the directors of the English society to advise the foundation of a Scotch wholesale agency, and to offer every assistance in their power. After a vigorous propaganda and important meetings at Glasgow and Edinburgh, the Scottish Co-operative Wholesale Society emerged in 1869 with twenty-eight shareholding societies, and another thirty societies willing to become customers.

Certain minor differences exist in the structure of the two Wholesales which may interest the student of representative government. In the English Wholesale each shareholding society is entitled to one vote for every 500 of its members : Bolton society, with a membership of 13,897, may send twenty-eight delegates to the quarterly meetings; while Birmingham, with 1,495 members, is limited to three representatives. Plural or proxy voting, it is needless to remark, is nowhere tolerated in the Co-operative movement. As in our national and municipal parliaments, the representative must personally record his one vote

Representation in the Scotch federation is based on purchases and not on persons, a fact curiously coincident with the greater loyalty of the Scotch Stores to the central institution. For every £1,000 of trade transacted with the Wholesale, the shareholding societies are entitled to one vote. Up to the present year societies and not men were elected for the committee of management. Edinburgh would be elected as auditor, Arbroath or Dundee as directors, the choice of the man being left to the members of the selected society. This system however, an indirect aspiration after district representation, has been lately altered; and all committee-men will be, in future, elected by the assembled delegates at quarterly meetings. The President of the Scottish Wholesale (together with the Secretary) has been from the first elected by the delegates at the quarterly meeting. Thus he has occupied the place of supreme authority and influence, as the man singled out by the whole body of representatives.

In the English organization, on the other hand, the government is vested in a general committee sitting at Manchester, the chairman being chosen by the board of directors. In the first years the committee were elected at the quarterly meetings. But to secure greater deliberation in the choice of committee-men, printed lists of candidates (each of whom must be nominated by a society) are now issued to the shareholding societies. The number of votes to which the shareholder is entitled may be affixed to as many candidates as there are vacancies; in some societies this decision is left to the committee; in others the power is retained by the whole body of members.

The institution, in the English society, of branch committees sitting at Newcastle and London (each branch committee sending two of the members to the general committee) and the increasing independence of their action, is regarded by astute observers as the first sign of devolution. But as yet there is no form of district representation. The general and branch committees are elected by all the societies—Oldham may vote for the London branch, and Newcastle and Plymouth for the general committee, and *vice versa.* Quarterly meetings are held at Newcastle and London simultaneously for the convenience of the northern and southern societies, in Manchester the following week. The rapid extension of trade has recently led to quarterly meetings at Bristol and in the Midlands. The programme submitted to the branch and central meetings must be identical; no resolutions or amendments may be proposed by the committee or delegates without being placed on the agenda. The votes of the five meetings are added together at Manchester, and the result declared accordingly. It is therefore a matter of indifference to which centre societies send their delegates. I may add to these dry details of constitutional structure that the advocates of the present representative system of the English Wholesale maintain that through the extended area of national voting abler and more experienced men are secured; the partisans for district representation, on the other hand, insist on the gain of a closer and more direct tie between the central institution and distant and unknown societies, and hint broadly at the advantage which would accrue from the further devolution of administrative work to

locally elected branches. Extension of trade and the rapid multiplication of functions will probably lead to further changes in the structure of both societies.

So much for the constitution and government of these federations—an exact counterpart in all essential features to the government of the Store, the Municipality, and the State. The two sister institutions are practically partners in certain operations—for instance, in the tea trade. Moreover, the English society acts as joint-purveyor for fruit and other foreign produce, while the Scotch supplies the English Wholesale with sugar, marmalade, and other Scotch manufactures.

In constitutional policy, however, the societies differ in an all-important matter, which corresponds possibly to the one striking dissimilarity in their constitutions. The Scotch society, with its single committee, sitting at Glasgow, has grouped its manufacturing departments in one great productive establishment at Shieldhall, three miles from Glasgow. Here they have erected the largest boot works in Scotland, here they manufacture also men's clothing, furniture and preserves, and they carry on the trades of currying and printing. It is an honourable distinction on the part of the Scotch society that they have started certain manufactures, such as shirt-making, at an immediate loss, to avoid dealing with firms who employ labour under bad conditions. It is satisfactory to add that their superior machinery and organization has in the end enabled them to pay good wages, while selling their shirts to Newcastle Co-operators, as well as supplying the Scotch mining districts. Their workshops are on a magnificent scale, and fitted up with

the newest appliances and most improved machinery. They turn out £77,857 of goods annually, and employ 1,024 hands in their productive departments.

The English Wholesale Society, on the other hand, with separate branch committees sitting at Newcastle and London, have localized their productive departments. They have erected boot works at Leicester and Heckmondwike, a corn-mill on the Tyne, biscuit works near Manchester; they own a woollen mill in Yorkshire and soap works at Durham; while at the Newcastle warehouse they specialize in the preparation of bacon and hams; at the London branch in the manufacture of cocoa, in tea blending and packing, in coffee roasting and grinding, etc. Excluding these latter operations, which it is impossible to subtract from the distributive departments, the manufacture of commodities by the English Wholesale amounts to nearly £290,127, and they employ 1,969 so-called productive workers.

The alternative course of centralized and localized production, together with the probable re-action on the constitutional structure of the sister federations, are, perhaps, the most significant questions awaiting solution within the Co-operative movement. But it is doubtful whether the divergent policies of the two societies are sufficiently developed for a mere observer to estimate their ultimate results; neither do I imagine discussion would be fruitful without an intimate knowledge of the respective conditions of English and Scotch industries, and labour markets. (In the appendix will be found a table of the growth of the two Wholesales relative to the Stores and the population of the sister kingdoms.)

Thus the Scottish Wholesale is practically moulded on the constitution of its English forerunner. In both instances, the central institution is owned and governed by shareholding societies. Both societies are prohibited from selling in the open market. The ulterior and immediate value of this last restriction will be at once perceived. Supposing the Wholesales were permitted to manufacture and buy for private firms they would be subsidizing with their immense capital and magnificent organization the trade rivals of their own members. Moreover, and this to me is a more insidious danger, the removal of this restriction, would undermine the democratic constitution of the Rochdale movement, to which alone it owes its educational influence and commercial success. For, at the present time, the 800,000 Co-operators who own and govern, through their representatives, the two Wholesale societies are undertaking the supply of their own needs—in an exactly similar manner that the inhabitants of enterprising and public-spirited municipalities furnish their citizens with gas, water, markets, museums, parks, colleges or technical schools. Now, in trading with non-members, the Wholesale societies would be supplying commodities and extracting profit from fellow-countrymen who have no share in the government of the concern. And if these gains became considerable, and were accumulated in land and capital, the open democracy of the present movement, eager to include within its fold the whole nation and to share with all alike the benefits of accumulated wisdom and accumulated wealth, might be transformed, by the evil magic of profit-making, into a close body of shareholders erecting barriers against

all new comers and closing the ranks in the face of fresh recruits. To many impartial observers the rock ahead in the development of the Wholesale societies is the admission of societies as members with *anti-democratic* constitutions,—societies planned overtly or covertly on the joint-stock principle, in which profits and government alike are monopolized by a close body of shareholders. The partial acceptance of this principle in the constitution of the Wholesale would be, I imagine, of the nature of a final disaster.

But meanwhile we have trembled on the verge of that knotty, disputed point separating the two schools of Co-operators—I mean the proper organization of the Co-operative workshop with the closely allied question of the status and remuneration of the so-called productive worker.

First, let me note that Co-operators have burdened their minds with a purely metaphysical idea, which, notwithstanding the constant purging of Co-operative intelligence with copious draughts of pugnacious facts, still presents a fatal obstruction to clear thinking and consistent action. The rank and file of Co-operators, as well as some of the leaders, have persistently maintained that there is an essential difference between the production and the distribution of commodities, a distinction so subtle and strong, that the government of a trading society should, according to the canons of Co-operative conscience, be based on an exactly opposite principle to that pursued in the government of a manufacturing society, and that the method of rewarding the shopmen should be altogether distinct from that adopted towards the productive worker. Thus Mr. Holyoake describes

with perfect equanimity, in his "History of the Equitable Pioneers," the government of the Store by a committee representing the community of customers; and further, the positive disqualification of employees to hold office in the governing body,—a rule common to all distributive societies, and strikingly in accordance (as has already been remarked) with the English view of the Civil Service. We have no hint that the Rochdale Pioneers, in so constituting their society, were acting against their own conscience, or were, in Mr. Holyoake's opinion, unprincipled men "garotting, if not abandoning, all equity in the undertaking"; neither do we discover any suggestion in the minute book of dividing profits with the secretary, auditors, storekeepers and assistants; nor do we detect in Mr. Holyoake's comments disapproval of this discreditable rejection of the great principle of the "partnership of labour" in gain and government. But in establishing the spinning and weaving factory, these same Rochdale Pioneers were careful to insert a clause dividing all profits equally per £ of capital subscribed and wages received. And in describing the final abandonment of profit-sharing at the Mitchell Hey mills, Mr. Holyoake indulges in a couple of pages of rhetorical invective, which culminates in the following phrase: "The pryamid of gain, which is not based on the sentiment of justice, is a mere rascally pile which an honest man would rather not touch."

Similar opinions, based on this fundamental distinction between the services rendered to society by the producer and the distributor, are still held by the individualist school of Co-operators. During the last

revision of the Rules of the English Wholesale Society (August, 1890), Messrs. Neale & Greening proposed an elaborate scheme whereby each productive department (for instance, the Boot Works at Leicester, and I imagine the New Corn-mill on the Tyne), should be registered as a separate society, and the workers therein endowed with a large measure of self-government and a considerable portion of the profits, with the ultimate aim of "handing over a well-stocked and well-appointed factory and thriving business" to each separate brotherhood of workers. But they omitted, in these proposals of reform, to deal likewise with the furnishing or grocery departments, or to satisfy the equally legitimate aspiration of the drapery buyer or bank clerk towards that ideal of self-employment and equitable participation in the profits of labour—a composite ideal, the theory and practice of which we shall discuss in the next chapter. Let us, therefore, briefly consider this subtle superiority of the services of the so-called producer over those of the distributor from the point of view of the economist and of the man of business.

Hear first the man of science:—

> Man cannot create material things. When he is said to produce material things, he really only produces utilities. . . All he can do is either to re-arrange matter so as to make it more useful, as when he makes a log of wood into a table; or to put it into the way of being made more useful by nature, as when he puts seed where the forces of nature will make it burst into life. It is sometimes said that traders do not produce; that while the cabinet-maker produces furniture, the furniture-dealer merely sells what is already produced. But there is no scientific foundation for this distinction. They both produce

utilities, and neither of them can do more; the furniture-dealer moves and re-arranges matter so as to make it more serviceable than it was before, the carpenter does nothing more. The sailor or the railway man who carries coal above ground produces it just as much as the miner who carries it underground. The dealer in fish helps to move on fish from where it was comparatively little use, and the fisherman does no more. It is true that if there are more traders than are necessary, there is waste. But there is also waste if there are two men to a plough which can be well worked by one man. (Marshall's "Principles of Economics," book II., chap. iii.)

This terse argument, with its apt illustration, lays bare the fallacy from the theoretical standpoint. Let us now inquire whether, as a matter of business, we can draw any clear line between the work of a "producer" and the service of a distributor.

Is the young lady in the show-room, who places a mantle on the shoulders of her customer, and forthwith alters the fit by taking up an inch here and an inch there with a couple of pins, a producer or a distributor? And if she be a distributor, how does her service differ from that of a dressmaker who fits the yet unfinished cloak, or packs her latest achievement in a cardboard box ready for delivery? Is the young man who shakes the tea from the counter into a bag and ties it neatly with a loop for the customer's convenience in handling it, a producer or a distributor? or if he be a distributor, how does his service differ from that of the young lady who packs tea and coffee in the productive department of the Wholesale, or from that of the Chinaman who gathers up the leaves from the drying-ground and stamps them into the chest ready for export? The farmer is doubtless a producer; but does he cease to be a producer when

he drives his cattle or carts his corn to the nearest market, or removes his turnips from the field into the barn? Lastly, is the butcher a producer or a distributor? and if he be a producer when he is transforming the live animal into raw meat, what is he when he cuts a pound of steak and hands it to a customer? As a matter of fact, this distinction without a difference has involved the official statisticians of the Co-operative movement in hopeless confusion. With exactly the same figures before them, Mr. J. C. Gray (secretary of the Co-operative Union) states that the production carried on by retail Stores on their own account amounts to £1,000,000 annually; while Mr. Benjamin Jones, an eminent official of the Wholesale, in an elaborate study of Co-operative production, estimates the figure at £3,000,000. In one case, butchering, baking, and other domestic manufactures are included in distribution, while in the other case a trader by profession considers the same services as productive. Thus the argument of the man of science is demonstrated by the practice of the man of business.

The reader will now perceive the scientific value and practical force of the resolute refusal on the part of the proprietors of the Wholesale Society to deal differently with the employees of the workshop and the employees of the warehouse. I do not wish here to imply that the ideal of self-employment and profit-sharing—an ideal which we have not yet analysed—is unworthy of acceptance or impracticable in realization. But I maintain, if it be morally right and economically expedient that the actual workers in a concern should control the policy, pocket the profits

and bear the loss, then you cannot limit the application of this principle to the workshop; you must introduce it into the distributive departments of the Wholesale societies, transforming these federal institutions of an open democracy of 800,000 souls into the private property of Messrs. Mitchell, Bailey and Jones, and the other officials and employees of the two societies. Moreover, if you remodel the Wholesale's boot works at Leicester into an association of producers, with the same rights of self-government that exist in the Leicester Boot Manufacturing Society (the most perfect example of the individualist ideal), then you must reconstitute the Leeds Store into an association of shop assistants. In short, you must root up and destroy the special work of the Rochdale Pioneers—the democratic foundation of the present movement; you must withdraw from 1,000,000 customer-members the rights of representative self-government, in order to endow some 1,000 storekeepers and assistants with the privilege of fighting for their own and each other's interests, instead of acting in the not less honourable *rôle* of servants of the community.

But in spite of a patient adherence to the democratic form of government, and a steadfast refusal to deal differently by various classes of employees, the board of directors of the two Wholesale societies have experimented in "bonus-giving" as a method of payment. In the English society, a bonus system was introduced in 1874; but the result was so far from satisfactory, that at a quarterly meeting, in June, 1876, the committee reported that they were "unable to see their way to any more satisfactory

system of paying bonus, and as it has not given that satisfaction and the beneficial results that were expected, they recommend you to discontinue it." This recommendation was adopted by a majority of 150 votes against 73.

Scotch Co-operators have been more persistent Bonus to labour in all departments has been the rule since 1870, though the method of distributing it has been changed from time to time.

At a special meeting of shareholders, convened May, 1889, to consider "bonus on wages," Mr. Maxwell, the able president of the Scotch Wholesale Society, and himself an ardent advocate of the principles of profit-sharing, thus expressed himself: "It has always been understood that two reasons could be adduced in favour of bonus on wages. It enlisted the best sympathies, and interested the workers in the work they had in hand; and (2) it provided, above wages, a fund for old age, infirmity, and sickness. I hold these expectations not unreasonable; but if bonus were to be paid, these looked-for results should likewise be realized. But what had been the experience of that board, and not that board only, but of every board that has been in office for years back? We have one and all felt that we are gradually being driven away from the original conditions. . . . The bonus has been taken away, and, so far as I know, it has not done one single pennyworth of good to the recipients or to the society giving it. Out of 800 employees in the productive works, only five have anything in the loan fund, and three of these are girls."

The proposal made by Mr. Maxwell at the meeting

to capitalize the bonus has not been carried into effect, so that his words in 1889 may be taken as a final opinion on the present bonus system of the Scottish Wholesale Society. Neither has the friction between the two Wholesale societies and Trade Unions been lessened by the payment of bonus. To quote Mr. Maxwell again : "the Scottish Wholesale Society has throughout paid bonus to labour, and yet they have the same difficulties in founding Co-operative workshops as Co-operators have in England." We shall presently see that trade union leaders are right in refusing to consider bonus as a part of wages, and wise in their distrust of profit-sharing schemes as methods of payment.

Now it will be hardly needful to emphasize the fact that the ill success of the experiments in bonus-giving by the two Wholesale societies cannot be accounted as a failure of the individualist ideal of Co-operative production. Profit-sharing has always been indissolubly connected, by the leaders of this school, with the participation by the manual worker in the responsibilities as well as in the rights of government; and they have been as willing that workers should bear losses as reap profits. The two Wholesale societies have persistently resisted this view, and have in no instance suggested that their employées should share in the not unfrequent losses made in these various departments.

The reader will perceive, therefore, that before we can compare the relative value of the moral ideal and practical achievement of the federalist and individualist school of Co-operators, it will be needful to retrace our steps, and examine the record

of past and present associations of producers; *i.e.*, societies formed in the individualist mould. Co-operative societies of this type are moreover included within the Co-operative Union. Some clear conception of their history and constitution will be essential to our survey of the rise, progress, and present position of the great political and propagandist league, justly described by Lord Rosebery as a "State within the State." For in the formation of this State, associations of producers have contributed a noteworthy province—a province, it is true, barren of wealth, and destitute of population, but attracting nevertheless in its defence the services of the most skilful writers and eloquent orators of the Co-operative movement, besides the disinterested attention of Platonic admirers from all parts of the country and all parts of the world.

CHAPTER V.

ASSOCIATION OF PRODUCERS.

PART I.: HISTORICAL.

I DO not propose, in this brief sketch of the Individualist School of Co-operators, to inquire into that rudimentary form of the Co-operative Productive Society that Professor Marshall tells us is a product of all ages, all races and all places. At the present time, and in England, this informal co-operation of groups of workers sharing equally, or in definite proportions, the product or the earnings of their labour, lingers on in the primitive industries of fishing and quarrying. To a larger extent it re-appears, in a modified form, under the contract system of modern industry—in the Cornish mines, in the workshops of the iron and machine-making trades, and in the more skilled operations of certain docks. In these instances a definite industrial operation will be entrusted by the employer, or customer, to a group of workers, instead of to a foreman or labour contractor: thus far the men become their own employers, and retain the profits usually paid for superintendence. But this Co-operative contract system (a system which I believe prevails in its most complete form in Russia) is obviously a variety of

piecework, and has no relation to the individualist theory of Co-operation as a solution of the Capital and Labour problem of to-day.

Briefly stated, then, the individualist Co-operator advocates the substitution, in each factory or workshop, of a brotherhood of workers controlling the organization and retaining the profits of their own labour, for the modern industrial type of the capitalist entrepreneur, buying labour as he buys machinery in the cheapest markets, manipulating and co-ordinating these mechanical and human activities, and claiming, as a matter of course, the net output. Lest there should be any misunderstanding of the individualist ideal, I will quote the eloquent words of one of the original band of Christian Socialists, the foremost apostle of the individualist creed, and the well-known secretary of the Co-operative Union—Vansittart Neale.

> Theoretically, the idea we endeavoured to spread was the conception of workers as brethren—of work as coming from a brotherhood of men associated for their common benefit—who therefore rejected any notion of competition with each other as inconsistent with the true form of society, and, without formally preaching communism, sought to form industrial establishments communistic in feeling, of which it should be the aim, while paying ordinary wages and interest at the rate I have mentioned, to apply the profits of the business in ways conducive to the common advantage of the body whose work produced them.

Unlike the democratic form of Co-operation which sprang out of the Owenite ideal, the individualist theory originated in a foreign land. In the critical years of 1847–48–49, in that direful time of trade depression, bad harvests, potato famine and Chartist

agitation, a small knot of eminent scholars and divines bound themselves together, under the name of Christian Socialists, to discover some scheme of social redemption. Meeting together night after night at the house of their leader, F. D. Maurice, they discussed every imaginable plan of political, industrial and religious reform. In the summer of 1849 (to quote the words of Maurice's biographer), "Mr. Ludlow paid a visit to Paris, and came back full of the then magnificent movement of the *Associations Ouvrières*, which, as he said, seemed to meet the very mischiefs we were anxious to grapple with." "I certainly thought," said Mr. Hughes afterwards, "and for that matter have never altered my opinion to this day, that we had found the solution of the great labour question; but I was also convinced that we had nothing to do but just to announce it, and found one association or two, in order to convert all England, and usher in the millennium at once, so plain the whole thing seemed to me."[1] Now these French associations, that excited the admiration of Mr. Ludlow, and served as the model to the Christian Socialist Society for Promoting Working Men's Associations, sprang from the teachings of Buchez, the father of French Co-operation. It may be well, therefore, to trace the idea to its source.[2]

In a series of articles published in the *Journal des Sciences Sociales* (1831), entitled "A Method of Amelio-

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[1] See "French and German Socialism," R. T. Ely, p. 251.

[2] For history of the French Associations established between 1834–48, see Hubert Valleroux "Les Associations Co-operatives."

rating the Condition of the Wage Earners of the Cities," Buchez laid down the conditions and principles of his plan. As a preface to his proposals, he limited the application of his scheme to artisans "whose capital was skill, and who used tools and not machines." For, as a littérateur and a Parisian, he thought solely of the artistic handicraftsmen, and he excluded from his consideration the novel facts of the new era of machinery. Thus he ignored exactly that problem which Robert Owen grappled with as a successful man of business, and reviewed as an expert—the half-finished work of the industrial revolution—the destruction of individualist production, typified by the peasant proprietor or skilled handicraftsman (see page 7), and the creation in its stead of an industrial system necessitating a disciplined and highly organized army of workers, in different grades and varied capacities, all alike subordinated to the huge factory mechanism representing the labour of other bodies or generations of workers. The reader should mark these self-imposed limits to the French philosopher's task ; otherwise we may accuse him of failure to overcome obstacles and meet difficulties absent from his mind and, I imagine, by no means fully developed in the backward industrial condition of his own country.

He urged skilled artisans of certain trades to unite together and form industrial brotherhoods, each group of fellow-workers electing an associate as the director of their common labour, and as the official representative of the society towards the world at large. All the profits of the business (after paying current rates of wages) should be divided into two

equal parts, one portion to be accumulated as an unalienable common fund or capital, the remainder to be divided in proportion to the labour given by each member, or set apart as a benefit or educational fund, for wives, widows, and children. Buchez's leading idea was therefore the elimination of the entrepreneur. He attempted to realize in industry the triple virtues of fraternity, liberty, and equality—fellowship in work, freedom to elect and depose at their own pleasure the director of their labour, and an absolute equality of rights among the associates. Hence he insisted that no man should work for the society for more than a year without becoming a member, and that the capital of the concern should belong equally to all associates, and should neither be divided nor withdrawn. By these means he imagined that he would open the association to all the members of a trade, and provide for its continuous existence in spite of the backsliding of individuals. Three years of vigorous propaganda were rewarded by the establishment of an association of jewellers on his plan ; in the following years associations of other skilled artisans followed each other in quick succession. But it is outside the scope of my narrative to tell the story of the extraordinary success and ultimate collapse of the French Co-operative societies, or to describe their re-establishment some twenty years later, and their present degenerate condition. Our attention must be confined to the English imitation and adaptation of the French idea of industrial reform.

The records of the Christian Socialist movement are clear and complete : indeed, as Benjamin Jones has remarked, "the great literary ability of the

Christian Socialist has given extraordinary prominence to the work they attempted." The publication of Mayhew's harrowing account of "London Labour and London Poor" added fuel to their fervour; and in the autumn of 1849, J. M Ludlow, Maurice, Kingsley, Neale, Hughes, and the French refugee Le Chevalier, and others formed themselves into the "Society for Promoting Working Men's Associations." It is as natural as significant that the English followers of Buchez experimented in industries untransformed by the use of machinery. Of the twelve associations actually founded by the Christian Socialists, three were tailors, three shoemakers, two builders, and the other four piano-makers, printers, smiths and bakers. The south country societies inspired and aided by them belonged to similar trades. Those associations were in the first instance moulded on the French type: they were endowed with full power of self-government. But presently the promoters perceived the demons of internal discord and external rivalry arising in this new fellowship of industry. F. D. Maurice, writing to J. M. Ludlow (1850), quotes sorrowfully the words of one of the most active of the promoters: "that the associations were actuated by a throughly mercenary competitive spirit; that they aimed merely at a more successful rivalship than is possible on the present system; that consequently they would of course produce results much worse than those which the present competition was producing, unless they were directed by a Central Board which should organize them efficiently and scientifically, or at least set before them an efficient and scientific mode of organizing themselves." Hence a Central Board was

formed, consisting of a manager and one delegate from each association, which regulated, with the concurrence of the Council of Promoters, the relation of the associations to each other; while the more refractory of the Co-operative societies were deprived of the rights of self-government, and entrusted to managers selected by the promoters. After three or four years of devoted effort, the Christian Socialists gave up their task in despair. In the first and final report of the Society for Promoting Working Men's Associations, published in 1852, they describe their experience, and indicate some of the causes of their failure:—

In the first nine months of our life as a society, we set up three sets of shoemakers in association, supplying in two instances the whole of the funds, and in the other all but £5. None of the men were picked; we accepted them just as they came to us. We gave to them absolute self-government, merely reserving to ourselves certain rights of interference in cases of dispute or mismanagement while any capital remained due to us. Each one of these associations had quarrelled with and turned out its original manager within six months; one, the West End Bootmakers, went to pieces altogether before nine months had gone. The other two struggled on till the beginning of the year, never paying their way, and continually quarrelling. By the joint assent of the Council and the Central Board, they were then amalgamated, and some of the worst members turned out; but still matters went wrong, until, in May last, we were obliged by another great outbreak and threatening insolvency to take away all self-government from the associates, leaving them only in cases of tyranny an appeal to the society against their manager. . . . Where the associations are successful, the great danger which they and all who are interested in them have to guard against is exclusiveness. The associates find their own position greatly improved, and fear to endanger it by taking in new members. They are apt, therefore, to make too stringent rules as to admission, and to require payments

from new members proportionate to the capital to which the society has gained, and such as few of the most skilful of working-men can pay out of their present wages. The effect of this will be that a great many small associations will spring up, instead of a few large ones, unless working men will look forward and take a broader and more Christian view of their work. These small associations will compete with and ruin one another.

Within a few years all the London and south country associations of producers, promoted or aided by the Christian Socialists, had either dissolved without trace, or degenerated into the profit-making undertakings of small masters.

But the promotion of a score of metropolitan and south country associations by no means exhausted the efforts of the Christian Socialists. They rendered excellent service to north country Co-operators (as we shall see presently) by pressing on the attention of Parliament a series of bills for legalizing Co-operative societies, and for extending their sphere of action. The ill-success of several great strikes prepared the way for the adoption of their ideas elsewhere. The general council of the Amalgamated Society of Engineers, disheartened with the collapse of the strike of 1851, resolved "that hostile resistance of labour against capital is not calculated to enhance the condition of the labourer," and advised "that all future operations should be directed in promoting the system of self-employment in associative workshops, as the best means of effectually regulating the conditions of labour." The ambitious project of the Atlas and Windsor Engine Works, as well as the opening of various smaller shops, by

engineers and iron-workers, in the metropolis and the provinces, proved the practical character of this resolution. Other trades followed suit. Strikes of plush workers at Banbury, of the silk and velvet weavers of Bethnal Green, of the cotton weavers of Pendleton and Padiham, were all followed by Co-operative ventures; while associations of tailors, hatters and bootmakers sprang up in many of the larger towns. These associations of workers were all formed on the Christian Socialists' model. They failed as the others had failed, leaving for the most part no record or clue to their failure.

Meanwhile, in the autumn and winter of 1850–51 the more energetic of the promoters, notably Messrs. Ludlow, Hughes and Neale, re-inforced by a vigorous speaker and well-known Owenite missionary, Mr. Lloyd Jones, carried the campaign into the very heart of the Co-operative districts of Lancashire and Yorkshire. Through their manifest and disinterested devotion to the Co-operative cause, through the ardent faith with which they were inspired, enhanced by oratorical and literary gifts, this small band of enthusiasts gained considerable influence over the immediate development of the Co-operative movement. Already the Lancashire Co-operators had passed successfully through the initial stage of the Store, and were pressing forward to the workshop. Whether the Lancashire Co-operators spontaneously developed the individualist ideal of self-employment, or borrowed it from the Christian Socialists, is a question of more delicacy than importance. The facts point to the latter view. The Rochdale Cornmill was established in 1850, on the democratic basis,

and the Bacup and Wardle Mill, opened in the same year, from the first divided the profits on capital and allowed the workers no share in the government, except as ordinary shareholders. Be this as it may it is sufficient for our purpose, that the original constitution of the Mitchel Hey, Pendleton, Padiham, and other cotton factories prove that Lancashire Co-operators and Trade Unionists accepted for a time the individualist theory of Co-operative production. By their commercial capacity and persistent integrity those sturdy north countrymen succeeded in the factory as they had succeeded in the Store. Commercial success, however, proved more disastrous to faith in the individualist theory than commercial failure: the body remained vigorous, but the soul departed. So-called Co-operative cotton factories abound in Lancashire. The direct descendants of Co-operative ventures — Working-Class Limiteds[1] — are rapidly encroaching on and invading the domain of private enterprise in certain sections and districts of cotton trade. But the directors and managers of this joint-stock Co-operation — together with the trade union officials who represent the workers—form by far the most powerful, because the best informed, opponents

[1] The term *Working-Class Limiteds* has been given to Joint-Stock Manufacturing Companies formed on the basis of £1 to £10 shares. The suffrage in these companies is usually democratic, *i.e.*, one man one vote. In many, perhaps the majority of instances, these Joint-Stock Companies were started by working men; and shares are still extensively held by the working class. Whether the same proportion of the shares in these companies are now held by the working class as in the earlier stages of the movement is a disputed point.

of the principles of profit-sharing and self-employment. It will be interesting, therefore, to glance at the downward steps from the French theory to the Lancashire practice, and to examine cursorily the actual industrial system resulting from the Lancashire adaptation of the individualist theory.

First, let us study the failures. (I may here refer the reader again to Benjamin Jones's exhaustive papers, now in course of publication in the *Co-operative News*, in which he gives, with chapter and verse, every mention of these and other productive societies, from the Christian Socialists' publications and other sources, and from which I freely quote.) The Padiham and Pendleton Co-operative companies were started, owned and governed by the men and women who actually worked in the mill. The Padiham establishment was signalled out by Mr. Ludlow for special commendation: "all the shareholders (with one or two exceptions) or some members of their families work at the mill," and he adds "that it is one of the most remarkable fruits of the energy and self-denial of the Lancashire workers." Here the story ends; and, like other associations of producers, they would have sunk in silence if it had not been for an accidental investigation by a celebrated economist. In his report of the Padiham weavers' strike of 1859 Professor Jevons mentions two Co-operative undertakings, and the cause of their failure:—

"Some years before the strike they had established two Co-operative concerns . . . neither of which undertakings met with the success that had attended similar establishments at Rochdale." And he adds these significant words: "No such concerns can possibly succeed unless the functions of managers and opera-

tives are kept distinct, and shareholders working as operatives are prepared to submit to a manager who is their servant. This difficulty the Rochdale men have overcome ; but in Padiham it led, combined with other causes, to the total failure of both Co-operative mills."

The Pendleton factory, Dr. Watts tells us, broke up for similar causes, *i.e.*, disputes between the working and outside shareholders.

This is not the only evidence. An impartial observer—Sir James Kay Shuttleworth, reviewing in 1863 the rise of Working-Class Limiteds, and referring to the failure of one of these concerns on his own estate, thus expresses his fears for their future :—

> There was a desire to introduce the principle of Co-operation to this extent, that the shareholders should have the advantage of the employment of their families in the mills. The immediate effect was this, that instead of producing stricter discipline and that close attention to the working of machinery which was so necessary in cotton-mills (and he might mention the discipline of a regiment was inferior in strictness to that of a cotton-mill), at their quarterly meetings most vexatious complaints were made by the workers against the overlookers, and an overlooker who had dared to discharge a worker who was a shareholder was in extreme danger of being dismissed at the next meeting ; and the poor manager, who had failed to obtain obedience from overlookers, or those at work with him, was very soon dismissed. He was bound to say that he was not at all sanguine on the application of anything like the principle of Co-operation, strictly so called, to the Lancashire manufacturers at present."

The Rochdale Pioneers were cautious in their application of the individualist theory to a manufacturing establishment. The Mitchell Hey mill was erected in 1854 ; but, as Mr. Holyoake tells us, "the

share list was left open to the whole town," so that outside shareholders had from the first the control. On the other hand, the promoters evinced their devotion to principle by registering the society under the Industrial and Provident Society's Act, and by inserting the profit-sharing clause. But in 1862 the shareholders abolished "bounty to labour" by 277 to 162. Unlike their Padiham and Pendleton contemporaries, the Rochdale working men had been successful. "Nearly all the anti-bountyites (writes William Cooper, deploring this decision) are persons who joined after it had become a prosperous and paying establishment." "It was the success of the society (writes Abraham Greenwood) that attracted to it persons who cared only for the eternal divi."

A like change was carried through at the Sun Mill, Oldham, originally promoted by enthusiastic Co-operators (members of the Oldham Store), to enable working men to be their own masters. In this instance workers were largely shareholders, and at the outset a resolution was passed, insisting that shareholders and their families should be preferred for employment.

The Sun Mill still maintains its commercial reputation; but I am informed that few if any of its employees happen to be shareholders. Profit-sharing with the principal employees was introduced in 1869; in 1875 it was discontinued, the shareholders contending "that it was incapable of affecting the purpose for which it was intended" (*i.e.*, improvement in the quantity or quality of the work). Mr. Marcroft, the historian of the Sun Mill, adds, that the recipients of bonus had been reduced in their wages, and that on

its discontinuance their wages were raised 20 per cent.

Now Mitchell Hey and the Sun Mills serve as types of the general history of cotton factories primarily established in the interests of the actual workers. At the present day all profit-sharing schemes have been abandoned in Working-Class Limiteds; shareholders are nowhere preferred for employment, and if we may credit trade union officials, the workers are not treated with more consideration than in private firms. Benjamin Jones states that there is a general opinion in Oldham "that an operative prefers to hold shares in any mill rather than the one in which he works, as he feels he has greater freedom in exercising the rights of a shareholder." This is quite comprehensible, since a shareholder in becoming an employée disfranchises himself (under the Joint Stock Act) for the directorate.

The position was summed up by Mr. William Nuttall in 1877 (quoted by B. Jones):

> Some of your friends will tell you that it would be much better if each of these mills was owned by those alone who work in them. I reply that Oldham experience proves that working men prefer to work where they can obtain the best wages and the most comfortable place, while at the same time they also prefer to invest their capital where they think it will bring the greatest interest or dividend, whether that place be the one in which they are employed or elsewhere.

In other words, the workers prefer, if they have the choice, that the severance between the capitalist and workers should be complete.

Thus, whether we regard the failure or the success

of the Lancashire Co-operative cotton factories, the inference is clear. The individualist theory was abandoned as unworkable. Clear-sighted and honest-minded Lancashire folk awakened from their dream of "each man his own master" to find themselves on the horns of a dilemma. While government by the workers proved a potent cause of commercial failure, commercial success promptly destroyed this peculiar form of government, together with the allied method of profit-sharing, by substituting (with or without the workers' leave) the outside capitalist for the working shareholder.

Joint-stock association—its compass and its limits—is not my theme. The Working-Class Limiteds, which centre in Oldham, and are scattered throughout the Lancashire valleys, are neither associations of producers, nor associations of consumers, and belong therefore as little to the democratic as to the individualist form of Co-operative industry. But despite the fact that, like all other joint-stock companies, they are organized exclusively for the benefit of the capitalist, these working-class associations have materially forwarded the democratisation of industry by practice and precept. It is needless to point out the untold value to trade organizations of the commercial and technical knowledge gained by astute Trade Unionists as shareholders and directors, combined with the lever afforded to trade union pressure by the open publication and criticism of the profits and loss accounts of various concerns. The admirable organization of the cotton spinners of Lancashire, the sliding scale of the Oldham list, whereby the improvement, or "speeding up" of ma-

chinery is equally advantageous to the worker and to the employer, the common action in face of common enemies, the mutual recognition and conciliatory attitude of the worker's and master's organizations—all these beneficent results may be traced largely to the presence of working-class and other Limiteds. Moreover, joint-stock companies promoted, governed and owned by working men, have demonstrated that the working class are equal to managing and directing manufacturing enterprise. They have served as a forcible exposure of that middle-class fallacy that profits are the natural and inalienable perquisite of brains, without which perquisite, the brain-worker, like the sulky French cook, will refuse to serve the assembled company. The rapid substitution in the cotton-spinning trade of joint-stock companies for private enterprise has been a striking because a well-advertised example of the gradual uplifting of the industry and commerce of the country, from out of the control of the profit-making *entrepreneur* into the hands of officials with fixed salaries. But Lancashire Limiteds have done more than this. By selecting officials and managers from a class without a conventional and extravagant standard of expenditure, they have reduced the earnings of the brain-worker to the level of his actual wants—to the personal expenditure needful for the full and effective use of his faculties. The preposterous salaries given by upper-class shareholders to upper-class officials—the £2,000 to £5,000 a year have been replaced by modest incomes of £200 to £400, and apparently without detriment to skill or integrity.

But here all similarity between joint-stock associa-

tion and the democratic form of Co-operation ends abruptly. Joint-stock association has extinguished the profit-maker, but it has retained the profits. It is true that through the above-mentioned knowledge afforded to the trade union officials average profits have been reduced to 5 per cent. on capital. But cotton factories in bygone days have paid 60 per cent. on share capital; and there are individual instances of cotton factories averaging 12 to 15 per cent. on the capital invested, while sudden gusts of profit or loss enrich or impoverish the actual operator in, or holder of these shares. Hence that demoralizing spirit of systematic speculation pervading Oldham and other Lancashire towns: the prevalence of the local stock exchange that coarsens the texture and blunts the conscience of Lancashire citizens. This form of "profit on price" —this progress of "the science and arts of gain—not the arts that add to the world's wealth, but those by which individuals appropriate an exceptionally large share of it" (to quote Professor Bryce), it is this insidious form of gambling that constitutes the darkest feature of English as well as of American civilization, and casts a gloomy shadow over the future economic and moral development of the new and the old world.

But to come home to the matter immediately before us. From 1853 to 1865 we hear little of the Christian Socialists and their fellow-thinkers; and there is a corresponding lull in the spasmodic rise and fall of associations of producers. The designs and desires of north country Co-operators were engrossed in the establishment of Stores and Working-Class Limiteds and in the promotion of

the North of England Wholesale Society. And during the later years of the decade, the energies of Lancashire working men were paralyzed, and their resources exhausted by the cotton famine of 1861–62 and its immediate effects. The Scottish brethren meanwhile were still in the throes of the conversion of the joint-stock shop into the citizen's Store, or were extending with slow persistency the Co-operative democracy east and south of Glasgow, or they were building up federal institutions in the Scottish Baking Societies of which the United Bakery at Glasgow, with its annual turnover of £70,000, is the foremost example.

On the other hand, south country and metropolitan Co-operation had been a mere exotic that withered quickly with the withdrawal of the nutriment and prop of philanthropic capital and philanthropic control. One association alone wandered as Joseph among the Egyptians in the unconquered land of private enterprise and held aloft the standard of self-employment. The carvers and gilders of Red Lion Square, established in 1858, occupied for twenty-five years much the same position in the Co-operative movement as that accorded at the present time to the Hebden Bridge Fustian Works—they stood out in the thoughts and speeches of the individualists, in the midst of disaster, as the exceptional success, an exception which, despite of the old adage, was not held to prove the rule. This association was broken up some years ago with the total loss of all capital subscribed, and the payment of 2*s.* 6*d.* in the pound to loan holders and creditors. The goodwill, stock and plant were sold to three of the workers. In

this ordinary form of private undertaking, I am informed the business flourished.

But towards 1865–66 we note a stir and activity in the individualist camp of Co-operators.

An impetus was given to the co-partnership theory by Messrs. Briggs' profit-sharing scheme, introduced into their collieries in 1866, and between that year and 1869 eleven other firms of importance followed suit, of which Messrs. Fox and Head, of Middlesborough, and Messrs. Crossley, of Halifax, were the most noted. In the same year Mr. E. O. Greening established an Industrial Partnership in the iron-gate making trade at Manchester. The latter attempt was especially advertised by a conference in June, 1866, at which the leading exponents of profit-sharing and the past and present promoters of associations brought forward their various plans for benefiting mankind. It is a curious and notable fact that whilst the first beginnings of the Rochdale Store and the Wholesale Societies were unnoticed by the public, this conference, at which were discussed the proposals of Messrs. Briggs and Greening, elicited letters of congratulation from celebrated politicians and erudite professors, followed by leaders in the *Times*, *Spectator*, *Morning Star*, and various provincial papers. The year was also marked by the promotion of the Cobden Mills (of which Messrs. Hughes, Neale, Ludlow, Morrison, and Greening were the founders), the most famous attempt made by the Christian Socialists to establish Co-operative production on a right footing. This concern, after a career of constantly recurring loss, was finally disposed of by its proprietors in the course of 1890. Yorkshire Co-operators

started the Idle Cloth Manufacturing Society; certain locksmiths at Wolverhampton formed themselves (in 1864) into an association which survived to figure as the hero of the day at a midland conference in 1879 (being dismembered in 1881); and we have the usual crop of societies in the tailoring, boot and shoe, cabinet-making, and other handicraft trades, and a fair number of associations of builders and machine makers.

But the most signal effort to carry out the individualist theory of production was made by the engineers, iron-workers and coal miners of Northumberland, Durham, Yorkshire, and Scotland between 1870 and 1874. The stories of the Ouseburn Engine Works, of the Scottish Iron Works, of the Oldham, Apsley, Sheffield engineering and iron and tool shops, have all the sameness of ultimate disaster. In these experiments the Trade Unions are said to have lost some £60,000, an experience which has apparently disgusted the larger Unions with "associated" workshops. For at all succeeding trade union and Co-operative congresses we hear from the officials of these bodies that it is impossible to invest trade union funds in undertakings from which they cannot be withdrawn on demand or very short notice. I admire the soundness of the decision; but the answer given does not solve the question. Special levies of large amounts to meet the demands of Australian strikers or provide the out-o'-work funds for smashing up Liverpool cotton operators are raised with apparent ease; why not, therefore, a special levy to establish a self-governing workshop? The English Wholesale Society and the north country Stores also

learnt their lesson; that milch-cow of Co-operation, the grocery department, doubtless bearing the burden; while the infant Scottish Wholesale well-nigh came to an untimely end, and seriously hampered its growth for ten years by a loss of £10,000 in the Scottish Iron Works.

Meanwhile the Industrial Partnership of Messrs. Greening closed its doors in 1870. The profit-sharing scheme of Messrs. Briggs, which had been trumpeted throughout the world, together with the less notorious plans of Messrs. Fox, Head and Co., and other firms (duly reported in the *Co-operator* and the *Co-operative News*) were abandoned, with or without explanation, but in the case of Messrs. Briggs with the cheerful consent of the workers. I feel some delicacy in detailing the other failures, lest historical instances should be mistaken for coarse invective. To cut a long tale short, therefore, of some hundreds of associations of producers registered under the Joint Stock or Industrial Provident Act, or known to have existed before 1870, only three remain: the Eccles and the Paisley Manufacturing Societies, established in 1860 and 1862 respectively, and the Manchester Printing Society (1869). Passing over the dead bodies of some hundred societies registered from 1870 to the present day, let us rapidly survey the actual existing societies which have been, or claim to have been, organized in the interests of the producer.

Part II. Present Associations.

I take as a basis of our investigations the list of Co-operative Productive Societies, published in the

Report of the Central Board for 1890. First we must eliminate from this list the productive departments of the Wholesale Societies and the corn-mills and baking societies avowedly organized in the interests, not of the producer, but of the consumer. Secondly, we must cast out as unworthy, societies such as Mitchell Hey, registered under the Industrial and Provident Act, but which have practically become Joint Stock Associations, participating neither profits nor government with the workers.[1] Thus, from a list of 106 separate societies, with a turnover of £2,308,028 we are reduced to seventy-four manufacturing, and five agricultural associations, with an aggregate annual turnover of £455,477. Of the seventy-four manufacturing societies, twenty are not in working order; they have either not started on their career, or they have closed it during the last year, or they are in a state of suspended animation. We have therefore a remainder of fifty-four manufacturing associations, and five agricultural associations.

The perplexing variety in the constitution of these fifty-four manufacturing associations, representing the individualist school of Co-operators, baffles any description, unless I were prepared to dissect the formation of each separate society. By studiously eliminating minor deviations, we may, however, reduce them to four distinct types:[2]

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[1] See Appendix I. (Note that Mitchell Hey is registered as Rochdale Manufacturing, and that the Bromley and Oak Mount Societies are included in the total of fifty-four manufacturing associations.)

[2] In each class the reader will find societies which might be placed in one of two classes: I have endeavoured to classify these societies according to the dominance of certain features.

Class I. Associations of workers formed on the Christian Socialist model ; selecting the committee of management from among their own numbers, and employing members only.

Class II. Associations of workers of like character: but which have bound themselves over to, or had imposed upon them, an irremovable governor or irremovable committee-men.

Class III. Associations of workers governing themselves, but employing outside labour—practically, small masters.

Class IV. Societies in which outside shareholders and Stores supply the bulk of capital, but in which the workers are encouraged or obliged to take shares, although they are disqualified from acting on the committee of management.

Now the reader, in referring to the classified list given in the Appendix, will perceive that there are only eight societies in the first class, four of which are diminutive, with yearly sales under £1,000. The Nelson Self-Help Society, the Leicester and Kettering Boot and Shoe Societies, the Coventry Watchmakers, and the London Book Binders, and their tiny followers, deserve, however, an honourable mention, as the only associations true to their ideal of a "Brotherhood of workers." From their own standpoint these associations of workers defy criticism ; and it is to be regretted that the majority have still to undergo the distemper of extreme youth. All but two have been established within the last five years. Their aggregate turnover is £49,623 ; the aggregate capital, £10,476, and they employ 440 working members. A careful investigation, however, reveals

the fact that five out of the eight give work out into the homes of the members, so that it is difficult to ascertain whether or no these members may be termed small masters.

In the next class we have four comparatively large societies. The Co-operative Builders of Brixton would belong to the first class if the promoters had not inserted a rule by which three outsiders have permanent seats on the committee. In this society, moreover, the property qualification and term of service is so high that out of 179 working members, only forty are qualified to vote. In the Woodhouse Woollen Mills, near Huddersfield, Mr. Thompson has established himself as irremovable manager (with the right to appoint his successor by will). Mr. Clapperton, the founder of the Scotch Tweed Society, has secured his position as manager.[1] The other society in this class is one of the survivors of an ill-fated but vigorous effort made some five years ago by Burnley weavers (seven associations in all, including the quick and the dead) to become their own employers. Four of these societies have failed ; one has never attained

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[1] I believe the Scotch Tweed Society has retained the nominal right to dismiss the manager by accepting the clause of the general rules (drafted by Mr. E. V. Neale for the use of associations of workers) to the effect that a manager can be dismissed by a majority of two-thirds of the members present at a special general meeting. This clause inserted in the general rules effectually limits the power of the working shareholders to elect or depose their own manager, should there be an equal number of outside shareholders. The statistics of the relative proportion of working shareholders to outside shareholders, given in the appendix, will throw an interesting light on this clause.

independence, and is bound hand and foot to the broker who supplied it with capital, provides the yarn and takes from the society the whole product. Of the Nelson Society, little is known except its losses; but I have placed it in the first class as, in spite of calamity, it has maintained the integrity of its constitution. The Burnley Self-Help Society, however, the originator of the group, has had an eventful and typical history. For the first year large profits were realized. But, to quote from Mr. Jones's interesting paper, "if we analyse the seven half-yearly balance sheets up to March, 1890, they exhibit the following results:—The total sales are £130,135; the wages paid are £26,382; the interest on loans amounts to £668. The workers have been credited with £348 as bonus, and they have paid in cash by way of levy on their wages, to make up losses, the sum of £815. The workers are therefore out of pocket to the amount of £467, or equal to 1¾ per cent. on the total wages paid. If the shareholders had borne the loss, they would have only received interest at the rate of 1½ per cent. per annum, instead of the 5 per cent. per annum that has been paid in consequence of the workers guaranteeing them." Meanwhile the society had parted with three managers: the first left to better himself in private enterprise; the two others were dismissed by the working shareholders. Disheartened by failure, and perplexed by internal dissension, the society appealed to its first manager to undertake the management of its affairs. This gentleman agreed, but stipulated for supreme control. Last autumn an agreement was signed by both parties, whereby Mr. Bancroft is endowed with full power, and cannot be removed for ten years. Any

dispute between him and the committee is to be referred to Mr. Mitchell, of the English Wholesale Society, as final arbitrator.

The societies in the third division (twenty-one) are unfortunately the most numerous; they comprise nearly half the total number of associations of producers within the Co-operative Union. Of these associations, taken as a class, I do not think it possible to speak too severely. For the most part, they are associations of small masters extracting profit out of the labour of non-members. In justice to those associations included within the group that are upright in their dealings and straightforward in their intentions, the constitutions of all associations employing non-members, the rate of wages actually paid, the "disposal of profit accounts," should be carefully inquired into before they are included in the Co-operative Union and allowed to trade under the Co-operative name, with the Wholesale Societies, the Stores, the government, and well-intentioned outsiders. As examples of this class, I give the following details of the six societies I have personally investigated, without any wish on my part to pick out undesirable specimens:—

No. I. Society composed of twenty-seven workers with committee of workers. Employ 100 non-members at work in their own homes. Paid last year twenty per cent. on capital, twenty per cent. on reserve fund: 3*s.* in the £ to members' wages; 1*s.* to non-members. No trade union rate: part of work given out to small middlemen: no inquiry made by society as to conditions under which this part of their work is undertaken.

No. II. Within five minutes' walk of No. I. Formed by malcontent workers of No. I., who were refused membership. Thirty associates: cannot tell how many outsiders they employ;

part of work given to middle-men. Five per cent. paid on capital: no profits.

No. III. Similar constitution as Nos. I. and II. Has paid as much as thirty per cent. to capital: half-dividend only given to non-members, who form the majority of employees. Home-work: with part of work given to middle-men. Secretary deplores fact that existing members object to admitting new members.

No. IV. Society composed of half a dozen shareholders, three of whom work for society: one happens to be manager, another the secretary, and the third the only well-paid workman on the premises. Employ thirty workers, twelve of whom are boys earning from 2*s.* 6*d.* and upwards; (on the day of my visit two of these boys were under age, and employed in contravention of the Factory Act.) Submitted the wages given to an official in the district, who declared they were under ordinary trade rates. This society states that it gives 1*s.* 6*d.* in the £ to labour.

No. V. This society is of a better character, and pays trade union rates—composed of fifty-seven individuals, four Co-operative societies, and three branches of the Trade Union. Out of twenty-five employees, only five are members of the society, the other members finding better work elsewhere. This society is the type of two others that I have personally visited, which employ outside workers because their own members prefer employment in private firms.

No. VI. The constitution of this society is at present blameless, so I shall not hesitate to name it. The Jewish cigarette makers of London have recently opened a branch in which non-members (English) are employed; but it is stated that these men are offered membership and receive trade union rates. This association is, however, an interesting example of a society tending to Class II. A year ago they urgently needed capital. Four individuals offered to supply it, on condition that they were placed on the committee, their contention being that the rates of wages were extravagantly high. The broker who supplied the society with material, acts as president, and holds the balance of power between the four members, who act as the workers' representatives, and the four who are indirectly the

nominees of capital. Under this altered management this association bids fair to prosper.

Associations of producers of this class show, unfortunately, comparative vitality ; their average age is seven years and four months, their aggregate sales are 124,054; and they employ 1,240 workers, of whom 330 only are members ; the subordinate labour employed by sub-contractors, or in the homes, is not of course, included in this calculation.

If we denounce the central type of the third and most numerous class of associations of producers, the wolf in sheep's clothing, the brotherhood of workers sweating their fellow-men, we must not fail to admire the genuine philanthropy that has usually inspired the institution and government of the societies which make up the fourth and last class of so-called associations of producers. These thirteen societies, practically Industrial Partnerships, are small concerns compared to old established private firms or modern limited companies, but they rise above the pigmy stature of the first and third class of associations. In most of these societies the democratic Store is the principal shareholder ; others are owned and governed by individual capitalists. Employees are usually expected, and sometimes obliged to become shareholders, but are in most cases disqualified from acting as directors; in no instance is there actually an employée on the committee of management. Moreover, in all these associations the balance of power is in the hands of non-workers. Of this class we will take the most brilliant example, — the Hebden Bridge Fustian Society,—and note its constitution and development.

This society was started in 1868 by a group of

fustian cutters, among whom the present manager was the foremost spirit. Presently the neighbouring Stores became interested in the success of the society. Until last year capital had a prior claim of 7½ per cent.; now the interest on capital is fixed at 5 per cent. From the first this society has prospered, largely owing to the loyalty of the Stores, and to the ability and integrity of the manager. The workers (two-thirds of whom are women) are disqualified from acting as directors, and have, from the first, taken no part in the actual management. Profits accruing to workers are, in the first instance, capitalized; all workers are therefore forced to be shareholders. But five years ago steps were taken to prevent the workers from parting with their birthright to outside capitalists, thus introducing, as a dominant power in the society, the profit-seeking shareholder (to whose presence the retrogade policy of Mitchell Hey has been attributed). For the commercial success of the society, coupled with the power appertaining to an individual shareholder under the rules to increase his holding at par up to £100, raised the value of the workers' transferable shares in the open market to an exorbitant premium. The workers, careless of the future of the society, parted with their shares to the highest bidder. A clause was therefore quickly drafted and inserted in the present rules, whereby all profits accruing to workers are credited in withdrawable shares (shares which cannot be sold, the par value being returned by the society to the shareholder on application, and which in this case do not entitle the holder to a vote). Employees who desire to become voting shareholders may apply for transferable shares,

but must sign an agreement to sell them at par to the society, and not to part with them to individuals.

Other societies in the group show every variety of constitution. The Co-operative Sundries (a young and small society) is distinguished by permitting the election of employées as directors; though, at the present time, no employee sits on the Board. The Edinburgh Printing Company, on the other hand, does not encourage the employees to take shares, and pays bonus out in cash; it may therefore be considered as a profit-sharing establishment, paying 14⅕ per cent. to capital, 1*s.* 4*d.* in the £ to wages. In referring to the Report of the Central Board it will be perceived that where profits are made, heavy rates of interest are paid to capital. This class of associations show the greatest vitality; the average age being thirteen years. The aggregate sales are £179,499, the aggregate capital being £98,233. So far as I have been able to ascertain, these societies employ 1,274 workers, of whom 455 are members.

Taking the total fifty-four manufacturing associations, the reader will perceive from the classified table in the Appendix, that only five have been excluded. Of four of these, I have been unable to obtain particulars. The London Productive differs from Class IV., since three employees sit on the committee; on the other hand, though it employs non-members, it cannot be termed an association of small masters, as it was instituted by outside capitalists for the benefit of the workers, all of whom are encouraged to take shares. No profits have been realized, and interest on capital has not been paid. Two out of the five farming associations are philan-

thropic undertakings of an expensive character, the losses incurred amounting to some thousands of pounds. The Scottish Farming Association has only recently started. Of the four agricultural associations, in the Assington Association alone have the workers any practical share in the government.

Now, this cursory examination of all the present forms of Co-operative enterprise that represent, even in the vaguest and most remote degree, the aspirations of the Christian Socialists, reveals one all-important fact. The ideal advanced by the Christian Socialists, partially adopted by the Rochdale Pioneers, and constantly forced by the individualist school of Co-operators on the attention of the Stores and the Wholesale Societies—this fair vision of a brotherhood of workers—of a self-governing Co-operative workshop in which (to use Judge Hughes' words), "the manager and committee are to be elected by the members from among their own body" vanishes into an indescribable industrial phantom, which, unlike the texture of real existence, becomes more and more imperceptible with the application of the magnifying glass. For when we look carefully into these 54 societies, we discover that over one-third of the trade is transacted by establishments which are simply capitalist associations adopting some scheme of profit-sharing. It is true that a small proportion of these societies compel or encourage workers to become shareholders. But in all cases, without a single exception, outside shareholders hold the balance of power. Nor is this all; the minority of working shareholders are practically disfranchised by the disqualification to act on the committee of

management. For why, in the name of reason, should this class of shareholders be resolutely shorn of their ordinary rights, if it be not for the express purpose of releasing the manager and other overseers from all effective control on the part of the workers—of deposing those workers once for all from the sovereign place of directors of their own labour, and reducing them to the *rôle* of mere voters. In truth, the workers of the Hebden Bridge Fustian Works of the Manchester Printing and Leicester Hosiery Societies, the three pioneers and exemplars of this class, are in exactly the same position with regard to controlling the policy of the establishment in which they work as the tailors, bootmakers, builders of the Leeds Store. And, so far as I am aware, the workers are in no better position than the porters on an ordinary railway, or the spinners in an Oldham Limited. For in all these instances the employees might acquire individually, or through their Trade Union, shares in the open market, and thus become a controlling force in the railway company and in the cotton factory.

And if we turn our magnifying glass from off the bulk of the trade on to the majority of the societies, we lay bare a positive evil instead of a harmless self-delusion. So-called associations of workers are constantly resolving themselves into associations of small masters—into an industrial organization, which is perilously near, if it be not actually included within, the domain of the sweating system. Or we discover associations of workers, so indifferent and sceptical of the advantages they offer as employers, that they prefer the security of private trade, and

leave the Co-operative workshop open to hirelings. Or again, we watch associations, such as Healy Royd weavers, beginning with fervour and success, but surrendering in the course of two years at discretion to a dictator; or we observe far-sighted promoters carefully securing their own position as irremovable managers. Thus these fifty-four associations, with a trade of £449,228, disperse in various directions, and we are left with our elaborate microscope pointed at eight minute specks on our industrial system, the existence of which I will again emphasize by recalling their names—the Leicester Boot and Shoe, the Coventry Watch, the Kettering Boot and Shoe, and the Nelson Self-Help and four diminutive associations with aggregate capital of £755. Of these eight societies, the three largest are under four years of age. On the other hand the Coventry Watchmakers, which has survived for sixteen years, are skilled handicraftsmen at work in their own homes, and are moreover completely in the power of outside shareholders who outnumber the working members and own the bulk of the capital.

So far, I have confined myself to a simple statement of fact. Now I will venture to disentangle from the common causes of commercial disaster the special disorders which have afflicted these associations of producers from birth upwards, leading to their extinction or to their speedy transmigration into the grosser world of joint-stock association or private enterprise.

Three complaints are constantly recurring in this dismal record of repeated failure: want of capital, want of custom and absence of administrative dis-

cipline. The first malady will be admitted by all concerned. The limited capital with which many of these associations have started in their career has entailed the loss of discounts on purchases of raw material, and the necessity of buying in small quantities and in local markets; it has meant inferior machinery and plant—in short, a loss of commercial opportunities and a general scamping of the materials and inferiority in the instruments of production. To attract capital, these reformers of the capitalist system have offered and given ruinous rates of interest; they have been the victims of usury rare in private enterprise, and absolutely prohibited in the democratic form of Co-operation. In all cases this extra interest and decreasing return from industry must be a tax on the worker, by lowered wage or increased effort. In most cases it means rapid shipwreck.

If, on the other hand, the association survives, it is quickly metamorphosed. In trades not yet transformed by the use of machinery, in all those minor industries which formed the subject-matter of the late inquiry into the sweating system, these associations have either begun or ended as small masters. Now all students of the voluminous evidence taken by the Lords' Committee will have realized that the small master system—that lowest type of industrial organization—is being gradually pressed out of existence by the introduction of machinery, by "increasing returns" from the use of large capitals, and by an improved organization of labour. These associations of small masters may linger on in those sections of trade which escape regulation by Factory Acts and Trade Unions. but they can only exist by evad-

ing a high standard of employment, by sweating subordinate labour, or by defrauding the customer. "Sharing profits" with labour and trade (in order to gain Co-operative patronage) serves, therefore, as a polite euphemism covering a reduction in net earnings or deficiencies in quality.

But in the staple industries of the kingdom—in the textile, iron, and coal trades—it is practically impossible for the workers, or for any section of the workers, in a factory, mine, or workshop to become the sole capitalists of the concern in which they work. Take the moderate instance of a spinning factory, with a capital of £60,000, and employing 200 workers. Endow these workers with this sum, and the more skilful and thrifty will presently be the employers and not the factory hands. As a matter of fact outside capital is from the first a necessity, and whether the capital be held by one millionaire or by 60,000 fellow-workmen, the capitalist will insist on the profitable administration of his property—a condition which cannot be fulfilled, as we shall presently see, by a self-governing body of workers.

The lack of custom is another royal road to failure. Skilled mechanics or handicraftsmen uniting together in an association may be adepts in the technical details of their trade, but they are absolutely ignorant of commercial matters. These associations are frequently based on the old fallacy of the Labour Exchange; they are formed under the delusion that with industry and skill the worker must create value, whether or no the commodity he manufactures corresponds to any available demand. Hence we observe Co-operative workshops are frequently established in

bad times, or in decaying industries; they are formed to resist a reduction of wages, or to supply work to the unemployed. Obviously these associations are foredoomed to failure. For we may believe with the elder economists that unrestricted competition is the one method of adapting supply to demand, or we may hold with the modern Co-operator and State Socialist that democratic control is an efficient alternative. But it is equally clear to the economic individualist and to the economic socialist, that the feverish fluctuations of the competitive system cannot be obviated by increasing a congestion of commodities exactly at the time and in the place where the fever is at its height. Workshops for the unemployed may or may not be a wise Poor Law policy. But these workshops cannot become a living and independent part of a commercial system based on the interchange of commodities.

The last disorder peculiar to associations of producers formed on the Christian Socialist model is, however, the most fruitful of disaster. Imagine the condition of affairs in a factory in which the workers choose the committee of management from among themselves, the committee (all employees) select the manager and overseers—the committee, manager, and foremen all working together in a highly organized system of divided and interdependent labour. Throughout the day the committee-men are subordinate to the manager; their work must be examined, prices fixed, deductions for mistakes and oversights made, their behaviour controlled—all the numberless acts of organization and supervision (upon the exact fulfilment of which depends the prosperity of the concern) must

be carried out by the manager and the foremen. In the evening the scene is changed, and the relations reversed. The manager stands as a servant before the board of directors. If the manager has refused to pass the work of a committee-man, if he has dismissed his relative or friend, if he has given out to the piece-workers material difficult to manipulate but of a quality as good as could be bought at the price needful to secure a profitable market for the product—every act of commercial policy or administrative discipline is discussed and reviewed by the light of the individual interest of the wage-earners who act as directors or select as constituents. Consider a railway managed on the system of the porters choosing the station master, the station master choosing the traffic superintendent, the whole body of employees choosing the board of directors! Those who have watched the inner workings of associations of this mould have realized the impossibility of this form of government in a highly organized industry. Hence we notice the gross divergence between the practice and the theory of the individualist school of Co-operators; the ingenious and elaborate devices whereby the working shareholders are stripped of their ordinary rights as property-holders and are disfranchised from an active participation in the government of the concern in which they work. Or we observe a complete transformation of Co-operative factories into joint-stock Limiteds and the upgrowth of the Oldham system—a reversion to the purely capitalist organization of industry.

I have wished to keep this brief analysis of the causes of the practical breakdown of the individualist

theory of Co-operative production matter of fact and free from sentiment and *à priori* reasoning. But the Christian Socialists and their latter-day followers have always claimed that whatever may be the economic and administrative difficulties of their proposals, they alone have established Co-operative industry on an ethical basis. Now this assumption on their part is, I venture to think, utterly unwarranted. The leaders of this school, in their schemes of self-governing workshops, or failing this counsel of perfection—of profit-sharing methods of remuneration—appeal to the desire for personal independence and personal gain among the workers. A group of workers are to be stimulated to increased effort and more sustained diligence because they, and not the capitalist *entrepreneur*, are to be benefited by this change in their conduct. The idea of the service of one man by another is to be repudiated. Working men are to be induced to work well and skilfully, not because they will help others by so doing, but because under this system of industry the workers will reap the advantages and suffer the consequences of efficient or inefficient labour. In his work on profit-sharing, Mr. Sedley Taylor boldly declares that this personal inducement to greater effort constitutes the principal justification of profit-sharing systems. I do not complain of this naïve appeal to the old Adam of economics. But I refuse to consider it ethical. This form of self-regarding action is neither moral nor immoral: it belongs to the category of feelings which are usually termed un-moral. And, if we wish an explanation of the idealism which has centred round the Christian Socialist theory, we shall find it in the

history of the Christian Socialist movement. The promoters of this movement very naturally mistook the motives that impelled them to social effort for the motives they were appealing to in forming associations of producers. The excellent and talented gentlemen who spent time and money on the formation of working-class associations were inspired by ethical sentiment of the highest order: for they were rendering, what they imagined to be, a service to the community not only without remuneration, whether in the form of profits or wages, but with considerable sacrifice of personal comfort and frequent loss of personal property. But the workingmen who, in order to become their own masters, and to gain more by their own labour, accepted these services and this capital, may have been guided by a perfectly legitimate desire to better themselves, but I fail to see any idealism in their action. And if we read the history of the early associations of producers, or if we watch the struggles of the present associations, I fear we shall be brought by our study of past and present facts to one and the same conclusion: that an industrial organization which substitutes for one profit-maker many profit-makers, is not a step forward in the moralization of trade. In truth, we are tempted to remember, by a careful observation of the internecine warfare between these small societies, of the discords, insubordinations, jealousies, and suspicions, that distract their home affairs, the moral axiom of Robert Owen: "a profit on price for individual gain brings into action all the lower passion of human nature."

I must now ask the reader to consider why I have

tacitly assumed that Associations of Producers are anti-democratic in their structure. In the first place, it is a strangely distorted view of democracy to break a community into tiny self-governing circles of producers, which by the very nature of their activities must fight each other to the death or combine to impose price and quality on the public. For it is self-evident that all Associations of Producers, whether they be capitalists buying labour, or labourers buying capital, or a co-partnership between the two, are directly opposed in their interests to the interest of the community. This fundamental opposition can only be counteracted by their rivalry or competition with each other to secure the custom. They are, and must always remain, profit-seekers—intent on securing a large margin between the cost of production and the price given. As profit-seekers they stand constantly in the presence of two contending spirits—the spirit of competition and the spirit of combination. For, to parody the words of a prose poet, "under the influence, first of one, then of the other, they spring from the gamble of competition to the plunder of monopoly, and alight from the plunder of monopoly on the gamble of competition, and know not which is most profitable."

The danger of an industrial monopoly, formed by Associations of Producers such as have existed, and do exist, in the Co-operative movement, is, I confess, decidedly remote. Hitherto any attempt to federate these little societies, even in one industry, such as the boot trade, has proved utterly futile. I cannot advise a better antidote to the deep depression of the economic individualist, in these days of advancing socialism,

than to attend a conference of productive societies and listen to the "individualism rampant" with which they silently oppose or scornfully regret any scheme of federation—any proposal to delegate duties or invest control in a central institution supported by all alike. Whilst the capitalist producer has begun to realize the profitable nature of strong combinations to raise prices (even if he estimated the difficulties in a free-trading country), these associations of workers, whether from disposition or circumstances, are still in the primitive stage of internecine warfare.

But this argument, however, does not end my indictment. Granted that the ideal form of democratic industry is the self-governing Co-operative workshop, in which the workers elect from among themselves the director of their labour, again I ask, Has the ideal been actually realized? Forty years of persistent self-devoted effort, the institution of some hundreds of Associations of Producers, have left us with eight establishments with constitutions more or less approximating the model self-governing workshop (four of diminutive stature) all in the stage of infancy or childhood. The remaining forty-six, cited as orthodox exponents of Co-operative production, exhibit an amazing variety of aristocratic, plutocratic, and monarchical constitutions which defy scientific classification. First, we have the hereditary monarchy of William Thompson & Co., the constitutional dictatorship of Mr. Bancroft, of Healy Royd, the high property qualification and extended term of service of the Co-operative Builders, further safeguarded by the presence of a self-ordained House of

Lords in the persons of Messrs. Dent and Minett and Curtis. Next, we witness a veritable little army of oligarchies—the associations of small masters which characterize the making of boots and shoes, buckets, fenders, nails, padlocks and shawls. And lastly, we have that benevolent self-delusion of "co-partnership in management," which sets out by disfranchising the members of this democracy of the workshop from acting as their own representatives. Now this disqualification, regarded from the standpoint of the workshop as a self-contained and self-governing democracy, is simply preposterous, as will be seen by the simplest political analogy. Supposing England were to apply to France for capital to carry on her political and industrial affairs, and supposing France, in return for this capital, should insist that all Englishmen should vote for Frenchmen as their representatives, these representatives selecting the executive: should we be a free and democratic country? But to complete the analogy we must endow Frenchmen with faggot votes superior in number to those held by resident citizens. Then we should be able to realize the exact form of tyranny (regarded from the point of view of a self-governing workshop) practised by the capitalists of Hebden Bridge, Leicester Hosiery Society, the Manchester Co-operative Printing Society in their co-partnership in management. And it is to this pitiful pretence of a pseudo-democracy—to this body of workers "trained under fostering supervision," that the managers of the democratic Wholesale Societies, that the representatives of an open democracy of near a million souls, are advised to undergo the "pleasing duty" (to use Mr. Neale's

words) "of handing over a well-appointed and well-stocked factory and a thriving business."

I am aware that a certain section of Co-operators have abandoned the idea of a self-governing brotherhood of workers, and advocate profit-sharing between employers and employed as a convenient half-way house, in which the capitalist *entrepreneur* may retain the privileges of an autocratic master, the workers may imagine themselves emancipated from the wage-system, while that mysterious fund "profit" is gathered up and dispersed in every imaginable form, from a loyal division of a clearly defined fund, to decreased wages or increased effort for the same pay, heavy reserve funds and exorbitant interest-bearing depreciations. I exclude, of course, from profit-sharing the attempt "to elevate the practice of tipping (to quote the words of Mr. D. F. Schloss) to the dignity of an industrial method," together with all expedients such as bonus on output, on earnings, on economy. All these forms of bonus are obviously varieties of piecework, whereby an astute employer stimulates the worker to a measurable amount of extra zeal, and pays him a definite sum. A discussion of the merits and demerits of different forms of the piecework system would be as much out of place in a book on Co-operation as an analysis of the tailor's time-log, or the Oldham spinning list. I therefore take for granted that by *Profit-sharing* we mean a genuine act of association between the employer and the employed, a literal co-partnership in commercial gain and commercial loss, by which the earnings of the workers are regulated in each separate profit-sharing establishment, in a strictly determinate manner, by

the profit and loss account of a carefully audited balance sheet.

The first objection to profit and loss sharing as a wage system (or substitution for a wage system) is an absence of principle. I do not here refer to the utter lack of definite principle in the exact proportion of profits allotted to labour. But in all profit-sharing schemes, whatever may be the details, the manual workers are not rewarded according to amount or quality of their effort, neither is the remuneration measured by their needs (that is according to a minimum standard of expenditure), nor do their earnings vary with the general depression or prosperity of the industry in which they are engaged. Let us take each point separately. "Profit on price" depends on the opportunities and the skill of the *entrepreneur* in securing a large margin between the 'act of buying' and the 'act of selling.' Now in highly organized industries the wages of labour are only a fraction of the out-going payments which constitute the "act of buying": whereas the price obtained for a given product is wholly independent of any conceivable action of the manual worker. Moreover, in all trades in which piecework prevails the proportion of wages to other items of cost of production is fixed, so far as the effort of the worker is concerned, but may be indefinitely raised or decreased by the use of superior machinery, a condition which is wholly dependent on the *entrepreneur*. Unless the worker, therefore, is practically his own *entrepreneur*, he is offered a share in a fund which he has not made, or he is burdened with losses for which he is not responsible. While the sun shines and the profit-sharing firm presents

extra payments to the workers beyond the standard wage, all runs smoothly; but when the evil day comes, and the workers are asked to accept a lessened wage, or to return part in the form of "a levy" to meet a commercial loss, even if the workers remain content, it is the manifest duty of the secretary of the Trade Union to call upon them to insist upon current wages or to come out of the "rat" firm. For if the earnings of labour in a profit-sharing firm have fallen below the current wages of the industry, this fact will be used by competing employers to bring about a general reduction of wages; and if the profit-sharing firms be sufficiently numerous, the Trade Union is bound to collapse. Hence the standard wage (a rough and ready attempt to secure a minimum standard of comfort) is swept away, and the workers in each concern are left at the mercy of the reckless competition, the unequal intelligence, and the cupidity or good faith of their respective employers.

Lastly, if it be expedient that manual workers should share in the general prosperity or depression of the industry in which they are engaged, the sharing of profits and losses made by individual firms is clearly the wrong way to set about it. This result can only be attained by a formal or informal sliding scale of wages, dependent on the general conditions of the industry, and not on the ability of individual employers to adapt themselves to these conditions. In certain industries, such as coal and iron, determinate sliding scales of wages have been adopted, dependent on the price of the product; in more complicated industries, such as textile trades, exactly the same result is brought about by conferences be-

tween expert trade union officials and representatives of the masters; in both cases a peaceful solution depends on the presence of a strong and well-established Union, served by experienced officials, skilful in watching the fluctuations of the market, and able to enforce allegiance from the whole body of the workers as well as to exact fair terms from the employers as a class. And it has been remarked by Mr. Price, the foremost authority on sliding scales ("Industrial Peace," page 83), "that there is apparently no necessary tendency in such an arrangement to transpose industrial divisions from the *horizontal* to the *perpendicular*—from the opposition of workmen as a body to employers as a body, to the opposition of the workers (employer and employed alike) in a single undertaking, to the workers in another undertaking, the tendency being in the opposite direction."

A Board School knowledge of "solids" will, I imagine, prove this very elementary truth. How can you have perpendicular sections cutting through wages (profit and loss sharing in individual firms), and maintain at the same time that impenetrable and rigid horizontal bar which can be shifted high or low according to the pressure of prices, the geometrical representative of a sliding scale of wages?

We may now summarize the trade union objection to profit and loss sharing. Quite apart from any deliberate attempt by a profit-sharing employer, such as the action of Messrs. Briggs in the past, and of Mr. George Livesey in the present, to undermine the Trade Union by lengthened contract of service, deferred payment, or preference for non-unionists, and over and above the difficulty of keeping in one united

body workers receiving different rates of wage for the same quantity and quality of effort, profit and loss sharing cuts at the very root of trade unionism. For by the trade union organization the workers set a reserve price on their labour. They exact from the community in return for their effort a minimum standard of education and expenditure. So far Trade Unions aim at adjusting prices to wages instead of fixing wages by prices—a fact which is fully recognised in the constant complaints of employers that Trade Unionists overlook the facts of foreign competition. But in erecting this dam against competitive trading, care must be taken to keep it intact all along the line, the smallest leakage in the form of loss sharing being fatal to the whole structure. Secondly, Trade Unionism is an unconscious but highly successful effort to divert the pressure of competition from off the wages of labour, and to fasten its grip on the brains or the capital of the employer. This, in fact, is the whole meaning of a formal or informal sliding scale of wages, regulated by the general conditions of a particular industry. Once this principle be admitted, the trade union official argues in this fashion with the individual employer who nibbles at wages:—

"We see by the market quotations that you are paying x for raw material; we see that you are selling the product for z: with average intelligence and average machinery, you must be able to pay so much for labour. If you have more than average intelligence and machinery, you are welcome to the surplus; if you have less than average intelligence, it is unjust that a great body of men should suffer for your

incompetence. You must clear out as our employer, and leave room for better men."

To illustrate this point, I take an episode from the Oldham cotton-spinning trade. A few years back, a group of new factories with greatly improved machinery entered into competition with old-established companies. These latter, finding they could not compete with the new-comers, began to nibble at wages; thereupon the profit-making firms followed suit, to realize their "natural surplus." Fortunately for the workers, they were efficiently organized, and successfully resisted the reduction. The superior companies were willing to restore the former wages so long as uniform rates were maintained. Hence the old establishments were forced either to improve machinery and management, or make way for fit successors. But if the cotton-spinners had been unorganized, it is obvious that there would have been a neck-to-neck race to lower wages until earnings reached subsistence level, at which point the incapable or ill-equipped *entrepreneur* would go to the wall, leaving the whole body of workers with the lowered wage, and possibly with permanently deteriorated faculties; and the industry on the verge of that slough of despond—decreased earnings and increased labour cost. Or supposing these old-established firms had been genuine associations of producers, such as the Burnley Self-Help societies, the same result would have ensued.[1] The promoters (to use the

[1] The two remaining Burnley Self-Helps have only survived through making up losses by substraction from the wages of the employees.

words of the original prospectus of the Burnley Self-Help Manufacturing Society) "would ask the workers to consider how the charges on the society can best be met—whether by curtailment of expenses, or a reduction of wages." To refit a factory with superior machinery is certainly not a curtailment of expenses; a reduction of wages is the only alternative. In this case, however, the workers would lose their accumulated wages in the capital of the concern, as well as suffer decrease in earnings.

Thus all profit and loss sharing schemes are rightly looked on with suspicion by experienced Trade Unionists, not only as insidious methods of separating the sticks from the bundle, so that all resistance may be finally crushed, but as a deliberate or unconscious attempt to redistribute the pressure of competitive trading on the earnings of the workers; by piercing that solid bulwark of the "*standard wage*," erected by the collective effort and self-subordination of the workers in Trade Union.

These are the objections to profit-sharing as a method of remuneration from the trade union point of view. The actual gain or loss to the individual workers, apart from ultimate injury to the class from the profit-sharing systems in force among productive societies, is difficult, if not impossible to estimate. In glancing down the records of last year, we note that only twenty Co-operative productive societies shared profits with their workers. If we divide these profits by the number of workers employed by the fifty-four associations of producers, we shall discover that the net result to the workers is considerably less than £1 per annum. In three instances, losses were

actually reported, part of which must inevitably be levied on wages, without accounting for loss of interest on capital.

But this is not all. Of these profit-making societies, nine were associations of small masters, and we have no details whether the dividend to labour was paid at an equal rate to members and non-members, or what portion of the work was given out to contractors or members employing subordinate labour in their own homes. Moreover, in all instances of profit-sharing, to determine the net gain or loss to the workers, we must compare the rate of wages paid by profit-sharing firms and societies with those obtained elsewhere. For this purpose it is an unfortunate coincidence that in many of the minor industries (and it is in these industries that Associations of Producers are usually established) trade union rates are non-existent. But granted a trade union list to act as a test of a fair rate of wages, if this list be based on piecework, we still lack a safe basis for calculation. Net earnings from piecework vary with the quality of the raw material and the perfection and speed of the machinery. The lasters at the Leicester Manufacturing Society, though paid full trade union rates, besides a bonus varying from 1*s.* to 2*s.* in the £, have not, I am informed, earned more, and have sometimes earned less, than the lasters in the Wholesale Society's West End works.[1] On the other hand, if it be day-work, we must consider whether the effort of the worker has been intensified; if so, the "profit" is simply increased wage for in-

[1] See letter from Mr. D. F. Schloss in Appendix II.

creased work, and could have been secured in the competitive labour market.

In conclusion, I would add that it has been from no lack of intelligence and self-sacrifice that the Christian Socialists and their followers have failed to realize the ideal of a "brotherhood of workers." Their conduct has been admirable, but their theory has been false. From the first they ignored exactly those facts which Robert Owen realized; they overlooked the fundamental changes brought about by the industrial revolution, increasing returns from the use of large capitals, the elaborate discipline of the factory system, the skilled intelligence needful for securing a market under stress of competition. In truth, the individualist school of Co-operation, far from reforming the capitalist and competitive system of industry, have failed even to adapt themselves to it, except in so far as they have been proved false to the faith that is in them. For, to solve the industrial question of to-day by eliminating the *entrepreneur* and transforming groups of producers into their own masters, belongs to the same category of opinions as the attempt to settle the land question by creating a body of peasant proprietors, or the more obviously futile proposal of obviating the growing scandal of the "unearned increment" in town holdings by leasehold enfranchisement. The state of society in which the individual producer owns alike the instrument and the product of his labour is past praying for; a reversion to the primitive type of the actual worker buying his material and selling his product, and thus realizing *profit*, is no longer practicable, even if it were desirable. The mere fact that you band together 10, 20, 50,

200 manual workers, and set them to perform the same operation, does not decrease its difficulty. Far otherwise, it transforms the difficulty into an impossibility by adding to the economic helplessness of two hundred individuals the moral difficulty of association. Hence the significant fact that genuine associations of producers, owning the capital and controlling the enterprise of their establishment, exist only in those trades untransformed by the industrial revolution; and that the majority of these associations are diminutive. The new industry, with the subordination of the individual worker to masses of capital directed by expert intelligence (success depending on the quick introduction of superior machinery, on operations in distant markets—failure arising from national and foreign events which may be insured against with large capitals, but cannot be controlled) —this new world of industry has come, and it has come to stay. Moreover, it is rapidly extending over all forms of industry and commerce; so that the area in which increased diligence on the part of the workers (even if this heightened effect were desirable) can counteract the lack of capital, discipline and commercial knowledge is daily contracting.

Thus the problem before the workers is to regain collectively what they have lost as individuals. The Trade Union, besides insisting on a certain standard of education and expenditure for the workers, stimulates the energies and to some extent regulates the actions of the capitalist. As citizens of the municipality and the State, as members of the Store and the Wholesale Societies, the workers may take a further step forward; they may, through representatives,

administer the industry and commerce of the nation. It is in this endeavour to introduce representative self-government into the commercial and manufacturing enterprise of the country that the democratic form of Co-operation has formed "a State within a State."

The boundaries of this State, as well as its relations to other social powers, will be discussed in the following chapter.

CHAPTER VI.

A STATE WITHIN A STATE.

IN the history of the Co-operative Union, the central institution and the authorized exponent of the precept and practice of the Co-operative State, we detect the origin of that strange misconception of British Co-operation that has resulted in a general impression on the public mind of discarded creeds and broken promises, and that has, moreover, subjected working-men Co-operators periodically to sharp rebukes and fervent exhortations from bishops, nobles, politicians and economists and other would-be foster-parents of working-class associations. A slight sketch of the development of this propagandist and political league is therefore desirable.

The work of the conference associations of the North of England in the early days of the Rochdale movement branched off (as the reader will remember) into two directions—the perfecting of the technique of shop-keeping and the further organization of commercial enterprise in the formation of the Wholesale Society; and secondly, the extension and consolidation of the Co-operative movement by propaganda in unconverted districts and through alteration in the law bearing on the status of Co-operative association.

Now the Christian Socialists (as aforesaid) not only rendered invaluable service to north country Co-operators in promoting and drafting the Industrial Provident Society Act of 1852; but the successive alterations of these Acts and their successful application enabling Co-operators to take their full part in the industry, commerce and finance of the nation were largely due to the knowledge, opportunities and persistent industry of certain Christian Socialists, notably of J. M. Ludlow and E. V. Neale. And while these able lawyers constituted themselves the unpaid advocates, draftsmen and solicitors of the movement (a position practically held by E. V. Neale for forty years) other *littérateurs* and orators transformed themselves into free lecturers and copious tract and leader writers in the Co-operative cause. Indeed, some have asserted that the Christian Socialists formed the intellect of the Co-operative movement—an opinion which will be rejected by those who agree with my estimate of the relative value of the Rochdale system of democratic Co-operation and the "brotherhood of workers" proposed by the followers of Buchez. But it is indisputable that for many years the Christian Socialist leaders *voiced* the movement, not only in the press and on the platform, but in the lobbies and committee rooms of the Houses of Parliament and in the Law Courts.

It was therefore natural and right, in any further organization of the political and propagandist side of Co-operative activity, that the Christian Socialists should take an important place; and it was an inevitable, though I venture to think, an unfortunate result of their superior attainments as lawyers, writers

and orators, that for a time at least the part they played should be a dominant one.

The Co-operative Union originated in a fusion of two separate bodies of like aims, but of widely different antecedents and constitution—the North of England Conference Association on the one hand, the provisional committee of the London Congress of 1869 on the other. The North of England Conference Association was a strictly representative body—an amalgamation of those provincial associations that had carried on for a period of twenty years the practical work of the Rochdale movement, united together in one body expressly for the purpose of holding annual conferences at different Co-operative centres in Lancashire, Yorkshire, Durham, and Northumberland.

The London Congress, on the other hand, was to some extent a revival of the Congresses held in the metropolis by the Christian Socialists in 1851–52; it was presided over by Mr. Tom Hughes; the majority of the constituents were upper and middle-class patrons of the movement, interspersed by the representatives of Industrial Partnership such as Messrs. Briggs and Greening, and a certain number of foreign sympathizers. Delegates from the north country and Scotch Stores were conspicuous by their absence, only some twenty Stores, including metropolitan, in all sending representatives. The Congress, after passing various resolutions of a somewhat theoretical character, receiving detailed reports from foreign correspondents, and listening to elaborate papers, elected a provisional committee of distinguished gentlemen, supplemented by two trade

union secretaries to represent the working classes, and fixed on Manchester as the meeting-place of the Congress of 1870.

At the annual meeting of the North of England Conference Association, held at Bury on the Good Friday of 1870, a committee was appointed to consider, among other things (such as the establishment of a Co-operative newspaper and the alteration of the law) the amalgamation of the Co-operative Conference and the Co-operative Congress. The report was apparently favourable, for at the Manchester Congress, a few weeks afterwards, despite a scant attendance of delegates from the working-class societies, a Congress Board was appointed, consisting of fourteen "well-wishers," fifteen representatives of north country Stores, two trade union secretaries and a Glasgow delegate. The Congresses of Bolton and Newcastle, 1872–1873, completed the fusion of the creators of the democratic Store, and the advocates of the self-governing workshop in the Co-operative Union. From that time forward the Central Board became the official representative of the Co-operative movement, and convened annually the Co-operative Congress—sometimes termed "the parliament of democratic industry."

The Co-operative Union, as it exists to-day, is a loosely organized body of 1,300 Co-operative societies with a membership of a million souls. These societies contribute a definite quota to the central funds, the United Kingdom being divided, for the purposes of representation, into seven sections—the Midland, Northern, North Western, Southern, Scottish, Western and Ireland. The affairs of the Union are

nominally administered by a Central Board of sixty-four persons, elected in definite proportions by the Co-operative societies within each section; "each section being at liberty (to quote the rules of the Union) to determine the mode of electing its representatives on the Central Board." The Central Board, however, only meets during Congress week; for the remainder of the year it is broken up into its component parts, viz., the Boards of the several sectional districts. The sectional boards stand in close though varying relation to the local Conference Associations, and are mainly occupied with the affairs of their own localities. The central administration of the Co-operative Union is therefore delegated to a United Board composed of thirteen representatives from the seven sectional boards; the real business of the Union being despatched at the central office in Manchester and in the sub-committees of the united board. The importance of this work to the welfare of the Co-operative world has been frequently overlooked. The internal organization of the Co-operative State is perfected and developed by the watchful skill of the general and assistant secretaries; delicate points of law arising among the members of societies, or between societies and the public, are discussed and decided; adverse decisions in county courts are contested before superior tribunals; such matters as the respective boundaries of the spheres of business of neighbouring Stores considered and adjudged; rules drafted, and manuals on book-keeping, check systems, edited by experts, widely distributed. The parliamentary committee, on the other hand, watches over the economic and social interests of Co-operators

as they may be affected by any new departure in the national legislature and national administration, and actively promotes or protects the interests of the great democracy of working-men consumers by an astute combination of political agitation and political wire-pulling.

Now the Co-operative Union is stated to be governed by an annual Congress composed of delegates from all Co-operative societies within the Union, each society being entitled to send one delegate for every five hundred members. But though the decisions of the Congress are supposed to be binding, not only on the administration, but on the members of the Union, the Co-operative Congress serves rather as a big debating society and a useful meeting-place for Co-operators of all classes and all opinions, than as a legislative assembly.

It is in accordance with the laws of newspaper publicity that, while the daily work of the general and assistant secretaries, the activities of the sectional boards within their own localities, the shrewd persistence of the parliamentary committee, these manifold and significant services have been ignored or depreciated outside the inner circle of Co-operators, the Whitsuntide Congress, held in one of the great commercial or industrial centres of the United Kingdom, and opened with *éclat* by an inaugural address from a political magnate, a renowned *littérateur* or economist, a distinguished aristocrat or plutocrat, should have attracted universal attention from all those who are, or aim to be, interested in labour questions. But despite the keen relish of newspaper reporters for the excellent "copy" afforded by the Co-operative

Congress after a Bank Holiday and in a parliamentary recess, the proceedings of Congress week, together with the "leaders" provoked in the London and provincial papers, are about as nearly related to the facts of the Co-operative movement as the Athanasian Creed and the Commination Service of the Church of England are to the doings of the London Stock Exchange and to the despatches of the Foreign Office. To illustrate my point, I take a single instance—that of profit-sharing.

Ever since the Newcastle Congress in 1873 (at which the Co-operative Union was definitely organized under the auspices of the Christian Socialists) "sharing profits with labour" has been affirmed and re-affirmed as the saving faith of the Co-operative movement. Delegates from the democratic Store and federal corn-mill—associations as devoid of any growing desire as they were innocent of any original intention, to share profits with, or yield power to storekeepers, salesmen, foremen-millers and general labourers—have repeated word by word the creed of the individualist school of Co-operators with "three times three" cheers at each succeeding congress. Meanwhile the managers of these very associations have carried out their Owenite principles and democratic methods with rigid consistency in the extension of the productive departments of individual Stores, and in the formation of the two Wholesale Societies. The time came, however, when the sincere advocates of the self-governing and profit-sharing workshop, sickened by false following and lip-service, brought the whole question to a practical issue. In an eloquent and manly speech at the Carlisle Congress in 1887, Judge

Hughes addressed the following words to the assembled Co-operators: "Two roads lie before us, along both of which we cannot travel, and of which it is supremely important we should choose the right one." And in supporting a double-barrelled resolution proposing the immediate re-organization of the productive works of the Wholesale Societies as self-governing workshops, he pertinently remarked, "You cannot give men a share in the profits and not do it. Is one right and the other wrong? If one is right and the other wrong, say which is right and which is wrong, and stick to the right and give up the wrong." And he ended this outspoken appeal by stating emphatically, that if Co-operators denied the cardinal doctrine of self-governing and profit-sharing workshops, he and his followers would retire from the Co-operative Union. After a stormy debate the whole question was referred to the next Congress.

The Dewsbury Congress re-asserted, with turbulent enthusiasm, the principle of profit and loss sharing in productive enterprises, the unanimity of the vote fully justifying Mr. Holyoake's remark that, "considering the district in which the Congress was held" (the very heart of democratic Co-operation), "and that the subject had been twelve months in the minds of the Stores, the decision was deliberate and decisive." This Platonic resolution was followed up at the Ipswich Congress by an instruction to the United Board to request all societies within the Co-operative Union to state first, whether they themselves were ready to carry out the principle of profit-sharing in their respective productive departments, and secondly, whether they were prepared to "use their influence"

in support of the Congress resolution, with any federal institution of which they might be members.

Now, what was the result of this practical test of the Co-operative faith? Out of 1,503 societies only 488 thought fit to reply to the circular of the Central Board, the remainder being presumably either indifferent or antagonistic to the resolution accepted with fervour by the majority of their delegates. Of these, 274 societies were prepared to "use their influence" in favour of profit-sharing, while only 180 societies were willing to consider the adoption of profit-sharing in their own establishments. Thereupon the Productive Committee of the Central Board (in its Report to the Glasgow Congress) pathetically remarks, "In face of the discouraging nature of the replies, any further action would be futile." Fortunately, however, the matter was not allowed to rest. The 180 faithful societies were requested to state, after the lapse of a year, whether they had embodied the principle of profit-sharing in their rules, or whether they intended to recommend its immediate adoption. Of these, only 35 replied: 14 being associations of producers. Out of the 21 Stores, 12 habitually paid a bonus to labour (though this is not profit and loss sharing, still less the creation of a self-governing workshop), 4 were prepared to recommend a bonus system to their members, while the remaining 5 refused to consider the question. The 274 societies willing to "use their influence" proved even more refractory: only 19 of these vouchsafed an answer; 14, while "fully sympathizing with the idea of profit-sharing," deemed themselves incompetent to suggest "any plan upon which profit-sharing should be worked in a federal institution;" while the

5 societies with the courage of their convictions elaborated 5 mutually exclusive schemes, which they were prepared to recommend to the federal institutions. The net result, therefore, of the "deliberate decision" of the Dewsbury Congress—the representative assembly of 1,300 Stores—may be summed up thus: 4 societies are prepared to recommend a bonus system to their members, and 5 societies suggest conflicting schemes of profit-sharing to be adopted by federal institutions. Unless we are willing, therefore, to denounce Co-operators as the biggest impostors in this "very Christian country," we must resolutely deny that the proceedings of the Co-operative Congress are representative of the practical intention and real import of British Co-operation.

Now if we consider that the Co-operative Congress in its present national and ornamental form was constituted by the Christian Socialists and their adherents—by men who had rendered valuable service—speakers and writers who were, for many years, considered by an inarticulate race of north country Co-operators as the idealists of the movement; if we recollect that one of the most talented and self-devoted of these men has served for eighteen years as General Secretary of the Union; if we remember that the annual congress, though ostensibly a gathering of business men, is not called upon to transact business, nor even to elect the Central Board, we shall understand why societies deal out delegates' tickets to enthusiastic converts (who have chanced to pay 1*s.* entrance fee at some Store) or to members with "idealist" tendencies. These opinions are harmless enough in congress resolutions, but highly inconvenient at the quarterly meetings of

the Stores and Wholesale Societies—meetings at which the actual policy of the Co-operative movement is threshed out and determined. Whether it would be desirable to tighten up the representative basis of the Co-operative Congress, is a question for Co-operators to decide. Meanwhile, though we cannot accept this yearly gathering as a literal "Parliament of Democratic Industry"—a title better fitted to the quarterly meetings of the Wholesale Societies—the Co-operative Congress, even as it now exists, has manifold uses.

For an annual Congress forms a necessary though subordinate part of the machinery of the Co-operative Union; it enables the Central Board to collect and analyse Co-operative statistics, to report on commercial and political events bearing on the growth of Co-operation, and to submit all these facts annually to open discussion, thus stimulating the officials of the Union to further effort and more efficient work. Moreover—and this I commend to the consideration of that type of Co-operator who prides himself on being a mere dividend maker—this mustering of forces, this loud proclamation of increasing membership, trade and capital, impresses not only railway companies, newspaper writers, traders, and manufacturers, but also our legislators, with an effectual sense of the financial influence and "polling-booth power" of the Co-operative Union, and serves as a telling advertisement of a commercial organization debarred by internal law and custom from the more humble methods of advertising. And lastly—and of all the uses, this is the most important—Congress week affords a meeting-place for the leading inhabitants from all sections of the Co-

operative State, together with endless opportunities for private discussion of common difficulties, for friendly adjustments of rival interests, for intimate interchange of individual experiences, thereby generating among officers, committee-men, and representatives that subtle enthusiasm and noble emulation imparted by the consciousness of serving in common a great and growing community. With greater intellectual sincerity, and a more lofty sense of social responsibility in the rank and file of Co-operators, this annual gathering might well become, not only genuinely representative of the Co-operative movement, but one of the most significant and inspiring of our National Assemblies.

To complete this rapid sketch of the central institution of the Co-operative State, there are two matters that require to be noticed: first, the relation of the Co-operative Union to the Wholesale Societies, and secondly, the institution in 1871 of the *Co-operative News*—the official organ of the whole movement.

The student of Co-operative records will note from time to time strained relations between the Wholesale Societies representing the practical and democratic form of Co-operation, and the Co-operative Union, which, up to the last few years, has been largely dominated by the theoretical and individualist section of Co-operators.

But the resolute refusal on the part of the directors of the English and Scotch Wholesale Societies to recognise Congress resolutions as valid instructions on matters appertaining to the organization of the establishments over which they are called upon to

preside, and their quiet but persistent reference of all such questions to the quarterly meetings of delegates, has not only been amply justified by the practical outcome of the Dewsbury Congress, but is in full accordance with the constitution of a democratic federation. For whatever we may think of the respective views of the individualist and democratic school of Co-operators, it is obvious that the Co-operative Union, as a democratic body, has no concern whatsoever with the internal affairs of its members, except in so far *as it determines on a particular constitution as a condition of membership.* Imagine the scene at a quarterly meeting of the Wholesale Society if a delegate were to move a resolution affecting the administration of the Bolton Store, or were to raise a debate on the condition under which the goods supplied by the Tower Hamlets Society were manufactured! Like the Wholesale Society, the Co-operative Union is a federation of Stores for specific purposes, these purposes being, in the case of the Co-operative Union, certain legal, political, propagandist and educational functions. Special administrative powers with regard to these common affairs are delegated by the members of the Union to the Central Board. The attempt to transform this Central Board into a Board of Control, endowed with powers similar to those held by the Local Government Board over Boards of Poor Law Guardians, cuts at the very root of the constitutional structure of a federation of self-governing bodies. I do not deny that it might be desirable in the constitution of the Co-operative Union, as well as in that of the Wholesale Society, to insist on some clearly

defined constitutional principle as a condition of membership in all associations applying for admittance. And if, instead of drafting resolutions about the details of the banking and productive departments of the Wholesale Society, the Central Board had formulated and passed through Congress some clear and concise definition of what constitutes a Co-operative society—some decisive test whereby a Co-operative society might be distinguished from a joint-stock company or private firm—no one would have complained, while many would have rejoiced. For in resolving this vital question, I agree with Judge Hughes that we stand at the parting of the ways, and that one of two alternative constitutions must be accepted—the self-governing and profit-sharing establishment on the one hand, or the open democracy of the Store on the other. In either case the friction arising from opposite methods and mutually exclusive aims would have been ended. For if Co-operators had determined on the former constitution, the Co-operative Union would have been speedily reduced to a very select company. To-day it would consist of the Leicester Boot and Shoe Manufacturing Society, the Coventry Watchmakers, the London Bookbinders, the Kettering Boot and Shoe Society, and their humble companions, the majority of outcast societies re-constituting themselves, in all probability, as a "Federation of Democratic Industry." If, on the other hand, an "open democracy governed by its representatives" on the Rochdale system and after the manner of a political democracy, were deemed to constitute a Co-operative society, the Co-operative Union would still contain 1,300 Stores, the majority of corn-

mills and baking societies, and the two Wholesale Societies, while all those hybrid institutions classed as productive societies might have figured in the parliamentary return of "profit-sharing" establishments from which they have been now ignominiously excluded, presumably on account of their strange connection with the anti-profit-sharing British Co-operative movement.

But the friction between the Wholesale Societies and the Co-operative Union is now happily a matter of ancient history. From the first the Wholesale Societies have been members of the Union ; recently the Co-operative Union has become a member of the English Wholesale Society, thus establishing its right to challenge the policy of the directors in the proper place—the meeting of proprietors. The two federations, with offices in Manchester, are moreover closely interlinked by the presence of common factors, in the persons of directors and officers of the Wholesale Society elected to the Central Board and *vice versa.* The steadily increasing importance of the Central Board as a referee in legal matters, as an educational and propagandist body, and last but not least, as a political power, is a sure guarantee that no attempt will be made to reverse the past relations by subordinating the affairs of the Union to the policy of the Wholesale Society, an attack on the integrity of the Union which would be disastrous if it were not futile.

For if Co-operators desire tangible proof of the wisdom of limiting the authority of an association to its proper sphere, no better example can be given than the success which has attended the independent institution of the Co-operative Newspaper Society

Early in the career of the *Co-operative News* an attempt was made to transform the infant into a handmaiden of the Central Board. The sound sense of Co-operators determined that it should be owned and governed by a separate federation, the Wholesale Society, the Co-operative Union and some of the largest Stores being among the shareholders. Hence, under the guidance of an able editor, the *Co-operative News* has been strong enough to be an impartial recorder of conflicting views, and has established itself with a weekly circulation of 37,000, as the sole and undisputed organ of the Co-operative movement.

The reader has now a clear view of the central institution and component parts of the Co-operative State. But as in the history of a nation we are apt, in exhaustive accounts of the proceedings of the Cabinet, Houses of Parliament and the Law Courts, to lose sight of the life of the people, so in a rapid sketch of Co-operative institutions we may easily overlook the main significance of the British Co-operative movement—the success and failure of the Store system (with its dependent federation) as one form of democratic local government.

The student will have grasped the extent and the boundaries of the democratic form of Co-operation by a study of the two maps prefixed to this book. These maps illustrate the present extension of the Store system as demonstrated by the sales in £ per hundred of population throughout Great Britain. Ireland is barren of the democratic form of Co-operation, and has therefore been omitted. I have unfortunately been unable (through lack of space) to publish a map localizing

the failures for the last thirty years.[1] By the aid of these maps and the figures upon which they are based, we can perceive at a glance, first, localities in which Co-operation has taken a firm root ; secondly, districts in which it has been tried without success, and lastly, those parts of the country which have been (for one reason or another) barren of effort.

If I were preaching a sermon in Congress week, I should point out to assembled Co-operators that, according to these maps, failure has in many places preceded success, and that the permanent revival and vigorous growth of the Store, after an abortive effort, is a direct encouragement and incentive to the inhabitants of London and Birmingham (places which appear dark on the map of failure and light on the map of success) to try again or persevere in their present attempts. On the other hand, I should urge that the barrenness of great parts of our country prove the crying need of more active propaganda. But though the facts portrayed by a comparative study of these maps may be used as an aid to faith and an argument for action, the student will ask for some clue or explanation of the very marked localization of success or failure in democratic Co-operation.

Now an adequate answer to this problem would entail a detailed knowledge of the industrial condi-

[1] Failures are most numerous in the metropolis ; they are thickly dotted over Durham and Lancashire, and in fact over all districts which show present success. Birmingham and the surrounding districts are black with failure ; Liverpool and South Wales are also distinguished on the map of failure. See Appendix.

tion and racial characteristics of Co-operative and unco-operative populations, a knowledge to which I make no pretension. I offer, however, certain suggestions, which can be disproved or verified by more accurate study.

First, it would appear that a Celtic race is not favourable to the growth of this form of democratic self-government. Ireland, Wales and Cornwall, and the Western Highlands of Scotland are comparatively barren of effort or darkened with failure. And while the barrenness of certain districts, as in England, may be attributed to poverty, sparse population and agricultural pursuits, we have no apparent reason, except racial characteristics, for the incapacity or indifference of the South Wales miners,[1] for instance, since the coalfields in England and Scotland are coincident with the uprising and steady development of the Store system. Passing over the Celtic provinces, we perceive that next to coal-mining (the high wages of miners for the last year must be discounted in a map based on percentage of sales to population), engineering, ship-building, textiles (more especially cotton-spinning and manufacturing), show the highest percentage of Co-operative sales; while agriculture stands well at the bottom of the scale, a fact easily accounted for by the isolation and poverty of the labourer. But ill success is not confined to thinly populated districts. Failure in densely populated areas is best exemplified in the industries of the small workshop and home-work types—in all those trades

[1] I understand that Co-operation has recently taken a fresh start in South Wales.

reviewed by the Lords' Committee on Sweating, with the partial exception of provincial boot-making, an industry which is being rapidly transferred into factories. I do not wish to generalize from these scattered observations of the connection of certain occupations with success or failure, since with careful examination we should find exceptions to each statement. The workers in the Yorkshire and Scottish worsted and woollen cloth factories (to take one example) are vigorous Co-operators, whereas the West of England clothiers show incapacity or indifference. But if I were obliged to select one trade distinguished throughout Scotland and England for Co-operative activity, I should unhesitatingly name engineering and implement making. Gloucester, Ipswich, Crewe, and other centres of these industries form oases of success in the midst of otherwise barren districts, while Leeds, Oldham, and Newcastle, are strongholds in the very heart of the Co-operative State.

The striking coincidence of the democratic form of Co-operation with the trade union organization is I think, an indisputable fact, and a fact, moreover, which has important bearings, as we shall see presently, on the economic results of Co-operative trading. One conclusion I venture to draw from the information I have gathered. Eliminating distinctions of race as hypothetical elements in success or failure, Co-operation flourishes best among those populations engaged in trades completely transformed by the industrial revolution, and fails in those industries in which the *small profit-maker* and domestic workshop are dominant features. Here it is needless to remind the reader that the absence of Trade Unions in the whole

domain of the "Sweating System" was the most prominent fact brought out in the late inquiry.

Let us now pass from the undiscovered causes to the patent uses and results of the democratic form of Co-operation.

No one who is intimately acquainted with a north country or Scotch manufacturing and mining district, or with a Midland village, will under-rate the national importance of the Store as a training school for citizenship in its widest sense. In urban districts, not yet become, or recently transformed into municipal boroughs, the "Co-op. shop" serves, or has served, as the sole form of local self-government beyond the election of the Board of Guardians and the Vestry. Here you will discover the position of president or committee-man of the Co-operative Society is more prized than that of mayor or alderman in a wealthy city; and is accepted as the outward and visible sign of the esteem and confidence of the majority of the inhabitants. And exactly the same qualities of public-spirited energy, capacity for compromise, dogged persistence, and self-subordination, together with shrewd intelligence in choice of officials, watchfulness and generosity towards servants—precisely the same intellectual and moral gifts are needed in the members of the successful Store as in the citizens of a well-ordered and enterprising municipality. But though success arises in either case from the same conditions, failure is followed by vastly different results. For, should the inhabitants of a certain district be inert and indifferent to the welfare of the community, or should they be fitful and undisciplined in their effort, incapable of that initial self-subordination without

which all association is impossible, or should their words and actions be governed by personal vanity, extravagant expectations or dishonest motive, the store will not be started, or it will quickly fail, whereas the municipality or the county council must endure, but will exist in a corrupt, wasteful, slovenly or unrepresentative form. Hence, in promoting and sustaining the Co-operative Store, political individualists and political socialists may find a common ground for strenuous endeavour. On the one hand, the individualist may rightly urge that the voluntary association of consumers renders needless the intervention of the mechanically formed municipal or county authority, and he may illustrate his argument by the free libraries and reading-rooms provided by Co-operators which had in many instances forestalled the efforts of ratepayers in a similar direction. On the other hand, the socialist may calculate that so long as the Store remains an open democracy, returning all surplus over cost price, or by reserve funds and depreciations accumulating property to be owned in common by all who choose to enter, the Co-operative Store is practically a communal institution ; while the pride in communal possessions, and the faculties for representative self-government (lacking which the programme of the Fabian Society or the Social Democratic Federation cannot be achieved, if, indeed, it be entertained) are encouraged and developed. Thus the democratic form of Co-operation may either be considered as an alternative to State Socialism or as a stepping-stone to socialistic organization in all its forms. In truth, the education of the Co-operator raises the citizen to the plane of free and deliberate

choice. Co-operators are strong enough to stand alone, and they are sufficiently intelligent and experienced to combine as citizens of the municipality, the county, or the State, when association, tempered by compulsion and framed on a larger and more enduring mould, is deemed or proved expedient.

But there is a point of weakness in the very backbone of the Co-operative structure which the student may not overlook, and which must be remedied by the persistent efforts of Co-operators, unless this form of representative self-government is to be restricted to a comparatively narrow area. The majority of the customer-members are not convinced Co-operators. The motive that impels the rank and file of members to deal with the "Co-op. shop" is very similar to that of the thrifty squire or London householder in despatching orders to the Army and Navy Stores—they believe either in the cheapness or quality of the goods supplied, or they rely on the quarterly "divi." as a mechanical and unconscious device for saving or for forestalling quarterly expenses. Thus, instead of bestirring themselves to alter or improve the management in all or some particulars, they readily transfer their custom to a neighbouring shop on the first provocation. The ordinary ratepayer, on the contrary, suffers personally for his indifference, and will be more easily roused to a personal superintendence of communal affairs. Moreover, taken as a general fact, the unit of the Co-operative movement—the customer—is a woman; the unit of the municipality and the State—the ratepayer and the Parliamentary voter—is a man. Now, whatever view we may entertain as to the future development of women,

few will deny that at the present time they are as a class deplorably deficient of that larger sense of the common weal which secures, through association, ultimate advantage to the family and the individual. They abandon, for the sake of some seeming expediency of the hour, those larger expediencies which affect the condition of the class to which they belong or the community in which they live. Here, again, the Co-operative movement seems destined to be a common ground of effort for those who hold mutually exclusive opinions. Men and women who conscientiously oppose the political enfranchisement of women may, with perfect consistency, advocate active participation in an organization framed for the supply of the household as a safe channel for unspent energy and a legitimate outcome of a woman's position of housekeeper for the family. On the other hand, those who take a broader view of the citizen-woman may earnestly recommend Store membership and Store government as a sorely needed apprenticeship for the more public responsibilities of the parliamentary voter and representative, or for the more arduous duties of municipal and national administration. Thus we may either regard Co-operative effort as a harmless safety-valve for woman's surplus energy, or we may perceive in the details of the Universal Provision shop an unique technical training for the housekeepers of the nation, or lastly, we may recognise in this form of association and administration an admirable school for the future citizen. But, however we estimate the effect of the Co-operative life on female members, in one conclusion we may rest assured : that if the democratic form of

Co-operation is to be a great fact as well as a great example, if it is to become a dominant form of industrial organization, then a vigorous and successful propaganda among female customers must stand foremost in the present and future programme of Co-operative leaders, and the women of England must take their place as energetic, loyal, and experienced members in all associations of consumers.[1]

The commercial success of the individual Store is not the sole achievement of faithful membership and able management. For the million Co-operators of Great Britain dictate as consumers to thousands of fellow countrymen (directly as employers, or indirectly as customers, for goods manufactured in this country) the exact condition of their life and labour. Thus the Co-operative Store and its dependent Federations may either be used as a great engine in the oppression of one worker by another, or as one of the levers whereby the British working-class may secure sovereign power in industry as in politics, establishing on a firm basis industrial as well as political democracy. But to bring forth this Child of Promise we must witness the intermarriage of the Co-operative and trade union movements—not the dissolution of one by the other, or even the subordination of one to the other; but the voluntary interdependence, on terms of equality, of two opposite but complementary corporations—the citizens organized as consumers, and the workers organized as producers. Let us first consider the economic shortcomings of either organi-

[1] In this connection it is impossible to over-estimate the valuable character of the work of the Women's Co-operative Guild.

zation isolated from the other; secondly, the mutual support already afforded and lastly, the untold acquisition of strength to both parties arising out of a relationship of more complete good faith and more persistent helpfulness.

A weighty objection was urged against the Store system, many years ago, by the great German socialist Lassalle.

> So soon as the Co-operative Stores more and more embrace the whole working class, it will be seen as a necessary consequence that wages, owing to the cheapness of the necessaries of life (the result of the Co-operative Stores), will fall in precise proportion."

Now supposing the Co-operative Store is simply a means of reducing the cost of living; and if it be planted down in a population of unorganized workers, I see no sufficient answer to this particular deduction from the "iron law" of wages. It is true that Co-operators might deny the first proposition; they might urge that Stores have not so much lowered prices as they have raised quality; and that the vast improvement in the material supplied has not curtailed expenditure, but has stimulated the desire for superior articles. One piece of well-made furniture attracts another, and the two demand a carpet; while a good gown necessitates a better mantle. This may be the case with regard to certain commodities, such as furniture and clothing; but even here it requires Co-operative education, as well as Co-operative trading, to persuade the ordinary customer that cheap and nasty are frequently interchangeable terms. But in household provisions, quality may be translated into terms of quantity; good coal gives out more

heat; and three spoonfuls of fine quality tea make a better brew than five of an inferior leaf, and so on. And in support of Lassalle's speculative position, we know, as a fact, that money wages, in unorganized trades, vary from district to district, according to the cost of living; that, for instance, general labourers in London are paid more per hour than general labourers in a provincial town where house-rent is low; that a Jewish tailor will take less from a Leeds contractor than from a London sweater. In truth, Lassalle's law applies more or less strictly to those who work for subsistence wage, or to workers who are not strongly enough organized to grasp and retain any accidental advantage that might accrue to them through lowered prices in the necessaries of life. And the reason is clear. An isolated family accustomed to, or dependent for working energy on a certain quantity of house-room, clothing, and food, will accept, without reluctance, the money wage that will enable them to procure these conditions, and will undersell other workers until they reach this level. I remember asking an ardent Co-operator whether he would take a lower wage in the neighbourhood of a first-rate Store than he would accept in a working-class quarter supplied by small retailers under the old credit system, and he answered with bold self-assurance: "Of course I would." Then there was a pause, and he added in a rueful undertone, but with becoming meekness: "At least, if the Union would let me." North country employers have not been slow to recognise this peculiar virtue of the Co-operative system, and have now and again pleaded before arbitration boards, and argued in conferences with

the men that the cheaper cost of living brought about by the Co-operative system is a sufficient reason for lowering wages,—a contention, I need hardly remark, quickly laughed out of court by trade union officials. For a proposal to reduce wages, based on this argument, can be successfully resisted by the Trade Union. The master will not be permitted, with imposing and self-complacent logic, to trot off with the Co-operator's "divi." on that useful hack, "Foreign Competition." The economy in the workers' consumption effected through the Co-operative system is a pure gain to the nation, and has no conceivable relation to the prices obtained by the manufacturers in the home and foreign markets, *so long as the Trade Union can keep that carefully erected dyke—the Standard List—absolutely intact all along the line.* Thus it is the Trade Union, and Trade Union alone, that enables the workers to retain the dividend, or discount, of the "Co-op. shop," or to secure the full advantage of the lowered price and improved quality of the commodities offered by shopkeepers within the charmed circle of the citizen's Store.

But the Store may not only sink into a pure negation without the complementary trade union movement; it may grow rapidly into an instrument of positive oppression. Let us suppose that the directors of the Wholesale Societies and Stores (consulting what they deemed the consumers' interest) were to supply their members exclusively with articles made under the sweating system, either here or abroad. What would it avail the 100,000 boot makers, tailors, furniture makers, potters, household utensil makers, farmers and farm-labourers, and other tradesmen at

present employed in manufacturing commodities sold at the stores that they could buy at their own society 25*s.* worth of goods for a sovereign, if they were henceforward deprived of their employment or forced to accept work under the conditions known as "sweating"? And it is a strange short-sightedness on the part of the critics of the Store system to limit the responsibilities of Co-operators to goods made in their own workshops. As associations of consumers having full control of their own expenditure, and with ample opportunity of ascertaining the exact conditions under which each article is made, Co-operators are more or less responsible for the life and labour of every man, woman, and child employed in the production of the commodities they consume. This moral obligation they can best fulfil by extending the workshops and productive departments of the Stores and the Wholesale Societies into all industries. But even here they are dependent on the existence of Trade Unions. For if there be no Trade Unions, Co-operators possess no standard whereby to fix wages; and unless Unions are strong enough to enforce a uniform rate on trade competitors it is difficult, if not impossible, for the Co-operative employer to maintain a fair scale of wages. So long as the Co-operative State is surrounded by a competitive system of industry, the Co-operative workshop may be used as a lever for raising wages; it cannot remain for long the sole exception to a reduced labour cost. Sooner or later the productive department must be closed, or the wages must be adjusted to those of private enterprise.

On the other hand, it is easy to enumerate the

shortcomings of the trade union movement without a Co-operative system of consumption. The factory operatives have not forgotten the Truck system—the sale of provisions and the renting of cottages by employers—a delicate instrument of oppression still used in "sweated" industries. And the refusal on the part of retail tradesmen, at the dictation of rich customers, to give credit to workers on strike is still remembered as the starting-point of many a north country Store. But these are small matters. While each succeeding year proves that competition between capitalists is frequently followed by the formation of commercial monopolies, petty competition between small retail traders has always meant fraudulent quality and elaborate devices for entangling the wage-earner by the credit, hire, or tally system. Against the frauds of the individual trader the wage-earner as a Trade Unionist has no defence. To check that more statesman-like form of profit-making—the combination of capitalist producers to raise prices—the Trade Union, even within its own industry, is utterly powerless. Indeed, a Trade Union among the workers directly fosters the growth of the capitalist trust by uniting the employers in one solid phalanx of self-defence. Hence we see the representatives of the miners obtaining a considerable advance of wages in a rising market; but despite this fact, we have colliery proprietors reaping enormous profits—using the advance in wages as a protest for obtaining an advance of prices out of all proportion to the increased labour cost.

I am aware there are some who still urge that the enlightened self-interest of the trader and manu-

facturer will always secure for the consumer the best quality and lowest price attainable without the intervention of a Co-operative system of consumption. Whatever may lie hidden in the remote recesses of a future state, competition as a past and present fact has been weighed and found wanting. The unnecessary multiplication of private traders, the wasteful methods of small capitalists and the petty deceptions practised on the consumer, the habitual robbery of the punctual creditor to cover bad debts —all these deeply-rooted defects of competitive trading the Co-operative Store has obviated. The breakdown of the flour syndicate, in 1889, before the firm attitude of the Co-operative flour-mills serves as one example of the silent success of the democratic form of Co-operation in protecting the public from that most modern development of unrestrained competition—the capitalist trust. Thus, whereas the Trade Union alone can maintain a definite standard of education and expenditure for the workers of every grade, industry, and profession, the peculiar function of the Co-operative Store (and in fact of all associations of consumers) is to pierce monopoly prices and uncover fraudulent quality until the fund known as profit—the entire surplus between the act of buying and the act of selling—is distributed directly or indirectly throughout the whole community.

After this short analysis of the interdependence of the Co-operative and trade union organizations, and before I venture to suggest a complete "union of hearts," it will be well to note the mutual services consciously or unconsciously rendered. Exactly the same qualities of sagacity, self-subordination, dogged-

ness, and integrity are required for the success of a Trade Union as for the success of the Store: thus one form of democratic association becomes the training ground for the other, a fact that explains the general coincidence of the Trade Union and the democratic form of Co-operation in localities and industries. Furthermore, the Co-operative Store with its withdrawable capital has served as an emergency fund to the sister organization, to be used, not only in support of common members in strikes and lock-outs, but as a balance to the workers' credit, impressing the masters with that wholesome consciousness of the financial strength of their antagonists, the workers with that due sense of financial responsibility that usually conduces to a policy of conciliation and compromise on both sides. I have already mentioned, in my reference to Working-Class Limiteds, the instrument of knowledge afforded to Trade Unions by the publication and discussion of all the details and prices and cost of production. And lastly, the democratic form of Co-operation, with its large capitals and secured market, has transformed many "sweated" trades into factory industries, thus securing to the workers sanitary work-places, and to the Trade Union a firm footing. For who can doubt, after the revelations of the Lords' Committee, that the home-work and small workshop system constitutes the most formidable social and economic obstacle to the growth and stability of the Workers' Union. Compare the Co-operative bakeries, with their magnificent premises and perfect mechanical arrangements, with the underground and backyard dens of private trade; compare the tailoring and shirt departments of the

Scottish Wholesale Society at Shieldhall with the sweaters' shops at Glasgow; visit the West End Boot Works of the English Wholesale Society at Leicester, and put side by side nett earnings, duration of labour, and sanitary conditions, with those obtained under the small-master system. But the most unique triumph of trade union organization through the Co-operative system of consumption arises from the transformation of retail trading from a petty enterprise into a great industry. Through the fellow-feeling engendered by service in large establishments of a similar character and under a democratic government, the status of the storekeepers and shop assistants is rapidly becoming clearly defined, and those hitherto unorganized workers are steadily developing common interests and professional aspirations. Hence the recent institution of a Trade Union of Co-operative employees—the pioneer, we may hope, of a National Union of Shop Assistants, to protect the interests, extend the privileges and perfect the training of perhaps the most ignorant, oppressed, and divided class of British citizens.

Now with a broader understanding of the complementary character of the two movements, with a larger-hearted appreciation of each other's difficulties on the part of officials and leading members, the people organized as consumers and the workers organized as professionals might rapidly become an irresistible twin power. For the Parliamentary Committee of the Trade Union Congress and the Parliamentary Committee of the Central Board represent to-day, to a large extent, the same persons, or at least the same families. We may consider the wage-earning man as

the typical client of the one, the housekeeping wife as the typical constituent of the other. The officers of the two organizations, therefore, should aim at a clear understanding between their respective clients. For obviously, it is suicidal folly for the wage-earning husband to raise prices on the housekeeping wife. And it is even more disastrous for the wife to beat down the husband's earnings to subsistence level, or to deprive him of employment. The essential aims of these two persons and the organizations which represent them are identical—their common object is to secure to themselves and their descendants the unearned income now received by other classes—or, to state it more correctly, the surplus income of all members of the community over and above the personal expenditure needful to effective citizenship. "Equality of opportunity for all citizens," might be inscribed on the banners of both organizations. Meanwhile, whatever may be the ultimate goal of democratic organization in all its forms, a close political alliance between the two movements might be maintained for present purposes. The Co-operative Union should assist the Parliamentary Committee of the Trade Union Congress in pressing on the attention of Parliament all such questions as the extension of Factory Acts, Employers' Liability Act, Truck Acts, technical education, liberty of combination, certificates for engineers and sailors—all those measures whereby the safety, status, and skill of the worker, as a professional, is secured, maintained, and developed. The Parliamentary committee of the Trade Union Congress, on the other hand, might support the Co-operators in their advocacy of

Adulteration Acts, Merchandise Marks Acts, Weights and Measures Acts, and in their steadfast opposition to any attempt on the part of landlords and capitalists to revert to protection as a method of increasing profits under pretext of raising money wages. For it is as clearly to the interests of Trade Unionists that fraudulent quality shall be exposed, that the cost of living shall be low, as it is to the interests of Co-operators that the irresponsible employer, manufacturer, and trader, free from the publicity and control of a democratic organization, should be severely handicapped by the law. But this is not all. Co-operators might encourage Trade Unionists to explain at members' gatherings and quarterly meetings the conditions of life and labour under which certain commodities, sold at the Stores, are manufactured: they might recognise the Trade Unions of all industries in which they are employers; they might even refuse to deal with printers, builders, manufacturers, who employ "rat" labour; they might use their enormous influence as traders and investors with railway and dock companies to secure the universal recognition of the Trade Union and fair treatment to the worker.

On the other hand, the Trade Unions owe to the Store a loyal support. There is too much short-sighted hypocrisy in these matters. The secretary of a Trade Union paid to organize and agitate in favour of fair conditions of labour will allow his wife to desert the "Co-op. shop," and will encourage her to buy commodities, the price of which is a patent label of the sweating system. If the Co-operative workshop is to be made into a powerful lever for raising the condition of the workers, Trade Unionists must

become energetic Co-operators; they must insist, as directors, managers, delegates to federal institutions, on the responsibilities of the consumers, as well as on the rights of the worker. The rank and file of Store-members (most of whom are themselves Trade Unionists, or at least belong to trade union families) must banish the "sweated" product from the Store counter. The great mass of working-class consumers must resolutely boycott the private traders, and adhere to the Store through good and bad repute, steadfastly insisting that democratic control shall supersede competition in lowering price and raising quality. For it will only be by a full acceptance on the part of all citizens of their responsibilities as consumers that we can form out of the present state of industrial war a great Republic of Industry firmly based on the Co-operative principle of "all for each and each for all"; the whole body of the people must accept with determination and intelligence their place as members of the Co-operative system of industry, discovered by Robert Owen, and built up into a "State within a State" by the self-devotion, sagacity, and doggedness of Rochdale Pioneers and their democratic followers.

CHAPTER VII.

THE IDEAL AND THE FACT.

WE are now in a position to estimate how far the modern Co-operative movement has realized Robert Owen's Co-operative system of industry.

The reader will remember that the keystone of Owen's New System of Society was the elimination of profit on price and the substitution of a salaried official for the profit-maker. Profit on price he regarded as the forbidden fruit of industry—as the potent poison exciting the economic man to fraudulent devices and selfish monopoly—in short, as the origin of industrial warfare. And he imagined that profit-making as a method of adjusting supply to demand might be superseded by a scientific ascertainment of the needs of the workers.

Now with regard to the first point—the elimination of profit on price—the democratic form of Co-operation has been entirely successful. The absorption of profit by the community has had a twofold effect. The actual seller of an article within the Co-operative system has no personal interest in defrauding the customer. The devices of the credit and tally system, the dodges and deceptions of leading articles and second prices, of adulterated or fraudulent goods,

together with the more modern and statesmanlike policy of great trusts and capitalist combinations, boldly dictating prices—all these monstrous or pigmy forms of industrial tyranny have been effectually checkmated within the area of its influence by the democratic form of Co-operation.

This is the immediate and direct result of eliminating profit on price. But the ultimate effect on the organization of industry of selling at cost price is of greater importance. It is the unique, and I say advisedly, the glorious achievement of the democratic form of Co-operation, that through extinguishing profit as well as eliminating the profit-maker, it destroys the occasion—it roots up and extirpates the very foundations—of the art of wealth-gaining apart from rendering services to the community. For if all industry were organized according to the democratic form of Co-operation, gambling in shares—all such operations as "Bearing," "Bulling," and cornering the market would be relegated to the work of an economic antiquarian. The Stock Exchange would become or be superseded by a mutual Banking Department, in which currency would be economized and transactions adjusted by expert accountants. For it is obvious that the shares in an association of consumers can never rise above par because interest on capital is reduced automatically to the market rate through the Rochdale system of dividend on purchase. In an association of producers, whether they be capitalists buying labour or labourers buying capital, or an Industrial Partnership, shares will rise and fall according to profits realized. Hence we watch gambling in the shares of the Hebden Bridge Fustian

Society, as well as in those of Oldham Limiteds. It is fondly imagined that this immaculate financial purity of the democratic form of Co-operation is secured by the legal form of the Industrial and Provident Society. That this form is as powerless as that of a joint-stock Limited to obviate the rise and fall in the value of shares, is demonstrated by such instances as Hebden Bridge (originally an association of workers) and the Civil Service Supply Association (originally an association of consumers), both alike registered under the Industrial and Provident Society Act, but dividing profits among shareholders or workers.

In the open democracy of the Store and the dependent federal institutions all surplus over and above cost of production, together with the "unearned increment" of superior sites or trade fluctuations, is shared with all those who choose to enter, even at the eleventh hour, or else is accumulated in the form of extra depreciations of land and buildings, and heavy reserve funds for the use of future generations of citizens; thus realizing, strangely enough, the one original feature of Buchez's ideal—an indivisible and inalienable capital, the property not of individuals but of an "immortal" association—the creation of past effort and the heritage of future wants.

Thus we see to-day in many, if not the majority, of north country Stores, the interest on capital falling from 5 to 4 per cent., and even this amount is frequently dependent on a minimum purchase from the Society. In short, the whole body of consumers refuse a tribute of interest to a minority of capitalists in excess of the market rate

It is, however, a more difficult and delicate question whether the democratic form of Co-operation has effectually and finally demonstrated that individual profit-making is an unnecessary method of adjusting supply to demand. No intelligent observer will fail to realize the untold economic value of a controlling body of proprietors representing not only the ordinary shareholders intent on the profitable turnover of the capital invested, but embodying (as managers and representatives of retail societies or as individual members of a Store) the interests of the consumer anxious to secure the highest quality for the price given. Thus at the quarterly meetings of the Wholesale Society, and at conferences of buyers held in different parts of the country, the directors and officials of the federal institution undergo the wholesome ordeal of listening to the criticism of expert customers—to the opinions of men whose profession in life is to ascertain the wants, and to supply the needs of individual consumers; while the buyers and directors of the central institutions have ample opportunity of instructing the consumer's representatives as to the real value of articles apart from their competitive price, together with the conditions of employment needful in the production of cheap commodities. At monthly and quarterly meetings of the members of the individual Stores, their officers and delegates are forced to submit in their turn to detailed complaints as to the fit of a Leicester boot, the flavour of a packet of tea, and the colour of a slice of bacon. The members require a satisfactory explanation or insist on a prompt remedy. Without doubt this close and constant tie between the *entrepreneur* and the

customer accounts for the unmistakable rise in the standard of taste, for the knowledge of real value, and consequently for the stability of demand that is a characteristic of consumption in Co-operative districts. Here we perceive a near approach to a scientific ascertainment of the wants of the community.

But I freely admit that so long as the Co-operative movement forms a "State within a State," and the Co-operative system is surrounded by an individualist and competitive society, it is impossible to assert dogmatically that democratic control would be an effective alternative to individual profit-making in lowering the price and improving the quality of commodities. At the present time the officials of Stores are stimulated by the efforts of shopkeepers to underbid them. The Wholesale Societies live in wholesome fear of the private trader and manufacturer. Moreover, the member of the Store, the delegate to the Wholesale Society, can clinch his complaints of inefficient management by tangible proof in the form of an article of better quality or lower price bought in the open market. Whether efficiency of administration would survive a monopoly of custom by associations of consumers, is a matter upon which none of us can dogmatize. I venture, however, to offer a few suggestions towards the solution of this all-important question.

First, let me remind the reader that competition between individuals and communities is not necessarily connected with profit-making. Public officers, from ambassadors to village schoolmasters, are chosen from among many competitors. The choice may be regulated by corrupt or frivolous reasons, but this is

equally true in industrial competition. Buyers are bribed; shoddy goods of flashy appearance are preferred to sound articles. The German Emperor selects from many generals the commander-in-chief; the Prime Minister of England is indirectly chosen from among a number of competing political leaders; not to mention the entire Civil Service, in which the competition for employment is stereotyped in the form of examinations.

In the realm of industry all joint-stock associations are governed by selected officials—by men who are not stimulated by personal acquisition of profit. Here profit on price is not the reward but the test of efficient management. If the London and North Western Railway ceased to pay a dividend, the Directorate would probably be overturned, and the *personnel* of the office changed. But the profits realized in a commercial undertaking are by no means the sole, if indeed the soundest test of managing capacity. The landlord who rack-rents an East End slum extracts a higher profit than the Glasgow municipality from their admirable artizans' dwellings, and yet diligence and skill may be absent in the petty landlord, and present to a high degree in the Council and officials of the Glasgow Corporation. On the other hand, we can imagine many instances of effective competition without profit-making. The municipalities of Leicester and Northampton might both undertake to provide gas, water, education, and amusement to their inhabitants. If the affairs of Leicester were better administered, it would be quickly apparent to the citizens of both towns, and would lead to dissatisfaction among the citizens of Northampton,

however, rarely answers its purpose. Blackburn, with seven societies, is worse served than Bolton or Leeds with their giant Stores administered by officers always subject to the criticism of large and vigorous constituencies. Indeed if we were to generalize from the facts of the Co-operative movement, we should unhesitatingly assert that the democratic control exercised by the community, in a large and well-established society, is a far superior method of securing efficient management than the competition between rival Stores situated in the same town or neighbourhood. But in all these cases the amount of dividend paid to the members is no test of efficient management (even if we allowed that "divi." were a form of profit). The isolated Stores of Forfarshire pay 5*s.* in the £1 (though there are in some small villages as many as six competing for custom), and are far-famed for the high price and bad quality of the goods they supply. In associations of consumers all those who are interested possess, if they choose to use it, complete material for a sound judgment as to the relative excellence of services rendered by individual producers and professionals. The members can estimate the expenditure of faculty as well as the satisfaction of desire; they can compare social cost with social value. Hence emulation among officials to secure the confidence and goodwill of their constituents replaces profit-seeking. The net result to the whole community is substituted for the gain to a minority of capitalists or workers as the final test or measure of efficient service. In short, competition between individuals for the indefinite gain and the uncertain

employment of profit-making enterprise, is succeeded by competition between individuals for fixed employment and stated wages. Granted, therefore, that the whole commerce and industry of the country were to be undertaken by the community in the form of stores, municipalities, counties, or states, whatever other difficulties we might encounter, competition between individuals would still be an effectual method in the selection of officers, and a potent stimulus to ability and industry in the service of the community by various classes of producers.

We may therefore say that the cardinal principle of Robert Owen's New System of Society, *the elimination of profit on price*, has been realized in the modern Co-operative movement. But the reader will remember that while Robert Owen denounced profit-making as a wasteful and demoralizing method of remuneration hostile to the larger and more permanent interests of society, he objected equally to competition between individuals for employment as a method of determining *the price* at which they should work. To quote the words of the first chapter: "He held that labour (which included all forms of human effort) should be rewarded according to its needs; that is, according to the expenditure required to keep it in a full state of efficiency, providing, at the same time by education, in its widest sense, for the progressive improvement of the physique, intellect, and character of the individual and the race; and including an allowance for the risk of illness or incapacity, and for the decrepitude of old age."

Now in the great competitive and commercial system of to-day we note two facts utterly at variance

with Robert Owen's view of a proper method of remunerating human effort. In the first place, brain-workers extract from the community incomes altogether out of proportion to their needs; secondly, whole classes of manual workers are reduced to bare subsistence — to a standard of life degrading to their faculties as wealth-producers, citizens, and parents.

The democratic form of Co-operation has obviated the first evil. For a multitude of competing self-seekers, each intent on amassing a great fortune, or adding to a little heap, we see a complete civil service of industry—an army of officials with fixed salaries ranging from the £2 a week of the village storekeeper to the £400 a year of heads of departments handling goods to the tune of a few millions. These salaries, we are told by merchant princes and great financiers, are quite inadequate to attract that calibre of brain which secures sound financial operations on the part of Messrs. Baring Brothers, or the intimate knowledge of the cotton market that has distinguished Mr. Steelstrand. The rising tide of Co-operative enterprise, the steady progress of the Store system with its federal institutions, adding year by year to the multiplicity of their operations in industry and commerce, are a sufficient answer to this biassed or theoretical view of human motive. The goodwill of a great community, the political power and social influence equitably earned by the able and energetic official of a powerful and growing organization have proved as efficient a form of remuneration as the unknown gains and lawless expenditure of the capitalist *entrepreneur*, or the

exorbitant salaries given by middle-class shareholders to middle-class officials, consequent on an extravagant estimate of the conventional outlay due to social position.

I do not wish to assert that there have not been frequent instances of suicidal short-sightedness on the part of the members of a Co-operative society in refusing to their manager adequate compensation for the expenses which he is obliged to incur if he is to gain the knowledge of men and affairs which will alone fit him to serve the society well. Out of a multitude of failures Co-operators have acquired a certain imaginative insight into the brain-worker's life. Experience has taught them that the responsibility and constant mental anxiety of the *entrepreneur* needs a more generous personal expenditure than is necessary to the manual labourer with his regular hours and undisturbed rest. They do not now propose that the salary of the servant should in no case exceed the average earnings of his masters—the general theory which dominated the first associations of working men—a principle as illogical as it proved disastrous. For the avowed object of working-class association has been to raise the expenditure of the worker to efficiency point: hence the workers should be the first to recognise the false economy of inefficient service.

But while it has been easy for Co-operators to extinguish the profit of the middleman, it has been impossible for the Co-operative employer struggling in the midst of a competitive system to raise the wages of the manual workers to the level of effective citizenship. It is in this endeavour that Co-operators

need the constant, and, I fear sometimes unwelcomed, assistance of Trade Unions.

For no organization, except a Trade Union, or as the French more aptly term it—*an association of professionals*, possesses at once the technical knowledge and experience to determine, and the power to secure a standard of technical education and scale of living for all its members. A Trade Union offers to the community a rough and ready estimate of the expenditure needful to a certain class of faculty; it ensures through a standard wage that the endurance and capacity of one individual will not lower the remuneration of all to a level at which efficiency in that particular industry is impossible to the average man. Or to describe a variation of the same fact—one man who willingly sinks to the condition of a brute is not permitted to drag his fellows into a like morass of misery. As typical instances of the degrading effect of exceptional endurance of exceptional indifference on the life and labour of other workers, under a purely competitive wage system, we might cite the Jewish tailor at the East End, or the Irish loafer at the dock gates.

Once again, therefore, by a conjunction of Co-operative and trade union organization, we must bring the producer and consumer face to face. I do not mean that the bootmaker can sell his boots to the weaver, while the weaver disposes of his cloth to the farmer's wife; this personal relationship is no longer possible in a commercial system transformed by the industrial revolution. Barter between individuals must be superseded by negotiations, through authorized representatives, between groups of workers and

consumers. Individualist exchange must follow individualist production, and give place to collective bargaining.

To gain a clear conception of the collective bargain —of the social relation which will supersede the individual relation—let us imagine, therefore, that this industrial democracy were fully developed and that industry were organized by associations of consumers (whether voluntary or compulsory, the Store, the Wholesale Societies, the municipality and the State), while all workers were united in Trade Unions. Then the official of the weavers' Union would debate questions of wages and technical training with the official of the Store or the municipality; the college of surgeons or physicians would, as at present, determine the standard and subjects of examination for the medical student and fix fees for medical attendance, subject perhaps to the democratic control of a Minister of Health.[1] The official of the Trade Union and the official of the community would, it is true, represent the rival interests of different sections of the community. But as members of one State the interests of their constituents are ultimately identical. For under a democratic organisation of industry it will

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[1] It is noteworthy that this determination by a Trade Union or Association of Professionals of the price at which they will work, or the educational qualifications upon which they will insist, is not demurred to by the capitalist class in professions such as the Law and Medicine, of which they have practically the monopoly. But the limited and broken authority of working-class Unions, the attempt on their part to secure a full subsistence wage for their members, is bitterly resented as an interference with individual liberty.

be recognised that the well-being of each individual will be indissolubly bound up in a high standard of capacity among the whole body of citizens.

Nor is it difficult to discover the practical basis for a compromise between the immediately conflicting interests of the consumer and producer of special commodities or services, supposing that these different groups of citizens should persistently refuse to recognise the "larger expediency" of efficient citizenship among all classes of the community. Fleeming Jenkin, in his Essay on Trade Unions, has expressed it with admirable conciseness:—

"But while the wants of men determine their pay, it is the demand for men of that class which determines how many shall be employed at that pay. This is a corrective to discontent. If their wants are great, few or no men of the given class may get any pay at all. It is the seller of labour who determines the price, but it is the buyer who determines the number of transactions. Capital" (or the community) "settles how many men are wanted at given wages, but labour settles what wages the men shall have."

Thus if the National Union of Boot and Shoemakers were to raise wages above the point of efficient citizenship the Wholesale Society or municipality would import boots and shoes and manufacture other articles instead; or if the gas stokers proved unreasonable, we might prefer petroleum or electric light rather than submit to their dictation. Barristers and medical men might even be brought to modest terms by free justice and municipal dispensaries. For if the issues between the producer and consumer of commodities or services were uncomplicated by

the unknown profits and losses of individual capitalists and brain-workers, public opinion would be a final and irresistible court of appeal. For while the community would possess all the materials for a judgment, they would also have an absolute power to enforce it. Indeed there are some who maintain that the community would be a harder taskmaster than the individual capitalist; and they cite, in support of this proposition, the low wages of Post-Office employees. But assuming that this charge of government "sweating" be proved, this objection overlooks the fact that under the present capitalist organization of industry the vast majority of the nation are not employees of the community, while a considerable and powerful minority are relieved, by the possession of unearned incomes, from all service as wealth-producers, direct or indirect. In a democratic organization of industry—such as we are, for the purposes of our argument, assuming to exist—all men alike would be, in one capacity or another, servants of the community. Hence if the Dockers refused to the Cotton-spinners fair conditions of employment, the Cotton-spinners would, when the case of the Dockers came up for consideration, pay the Dockers back in kind. We can hardly imagine that the whole community of workers would submit to conditions of employment whereby the lives of all would be rendered equally distasteful. And if one special group of workers were singled out for oppression, it hardly needs even the intelligence of the *a priori* economist to perceive that the recruits to that profession or industry would not be very numerous. If the services of this class were of use to the community, the terms

would have to be raised. Here, in fact, we come back to Fleeming Jenkins' explanation of the basis of the collective bargain.

Again, it is objected that this form of industrial organization, with its standard rates of wages and prices, is applicable only to the well-disciplined and efficient workers of the industrial army. In other words that the organization of industry for the benefit of the community will leave no place for those who, for one reason or another, can render no efficient service to the community. With the sweater will be eliminated the great majority of the sweater's unfortunate victims. Is it necessary to remark that the unfit, the men and women who have fallen from the ranks, are dealt with in the end, under the present system, by a Poor Law; and that under any conceivable industrial system these unfortunates could only be *effectually* dealt with (unless we permitted them to die in the streets) under a reformed Poor Law? Doubtless the ranks of the new army of paupers would be largely recruited by the vicious and incapable members of the upper and middle class. But these persons the workers already support in extravagant luxury: the only change would be in the amount of the allowance—a change which might be considerable, but which would undoubtedly be in the direction of public economy. Whether the democratic administration and democratic control of industry, with its regular demand and regulated standard of life, would diminish the appalling number of incapacitated and demoralized workers—the class which we at present term *paupers*—is a question which cannot here be discussed, but which is worthy of the careful con-

sideration of the student of economic and social questions. No better text-book on this subject can be offered to the reader than the Report of the Evidence of the Lords' Committee as to Sweated Industries.

But the social value of this form of society would not consist solely or even principally in a more equitable diffusion of the necessaries and comforts of life. If this were all, it would be a poor result for generations of human effort; a goal unworthy of the disciples of Robert Owen. For Co-operators have always been inspired by the ancient doctrine of human fellowship, by the new spirit of social service, by a firm faith that the day would come when each man and woman would work, not for personal subsistence or personal gain, but for the whole community. This service of the community by the citizens—this free ministering of all by all—constitutes the moral ideal of the British Co-operative movement, and one of which most assuredly Co-operators have no reason to stand ashamed. An organization of society in which the community—not any profit-making individual—would always be the employer—an organization of labour whereby the immediate and ultimate welfare of the workers would be guarded by a representative personally uninterested in the question of wages and intent on a general high standard of effort and enjoyment in the class he represents—this fully-developed industrial democracy alone provides, in a complete form, the economic basis for the future religion of humanity. While every worker feels that by increased effort he is adding to the power of oppression of a privileged

class; while every wage-earner discovers that by an additional stroke of work, unreckoned in his wages, he is compelling a weaker fellow to accept lower wages or forcing him to an intolerable strain—then we shall still watch the disastrous policy of the more ignorant Trade Unions (even more observable in the customs of unorganized workers) undermining the prosperity of English industry by a collective effort to lower the quantity and efficiency of labour, instead of the enlightened policy of raising the quality and quantity of human effort in each individual worker and the standard of life throughout the whole class.

And this is not the mere vision of a moral Utopia. We see before a sure presage of future ages—a Child of Promise—"the State within the State." For the spirit of social service is already rife among the officials of the Co-operative movement. It is exactly this conscious service of a great community, this pride in promoting a noble cause, that opens the moral and intellectual gulf between two classes of men of identical occupation, retail tradesmen on the one hand and the officials of the Stores and the Wholesale Societies on the other. While persistent pursuit of petty gains, narrow prejudices, and illiberal policy distinguish retail traders as a class, public spirit and a large grasp of social and economic questions are the usual characteristics of Co-operative officials. Thus, in the subtle power of the Co-operative Faith we discover the secret of that administrative success of the British Co-operative movement which perplexes the ordinary man of the world. Officers earning less than the market rent of their ability, chairmen and committee men accepting nominal fees, watch

nevertheless with integrity and zeal over the interests entrusted to their care. Doubtless there are Judases in the Co-operative movement as in all new religions. For the committee-man or officer who accepts a bribe or neglects his duty, must be fully aware that he is not simply an indifferently honest man, like many of his fellows in private trade, but the deliberate betrayer of the means of salvation to thousands of his fellow-countrymen of this and all future generations.

CHAPTER VIII.

CONCLUSION.

I WILL assume, in the remarks with which I propose to end this slight sketch of the British Co-operative Movement, that we, like the early Co-operators, are socialists; that we accept, as the Ideal towards which we are tending, a state of society in which all citizens will serve the community with whole-heartedness, the community remunerating them, in return, according to the personal expenditure needful to the full and free use of their mental and physical faculties. Without this desire for, and faith in, a possible socialist state, these observations will appear uncalled for. I should therefore advise the student who desires only a matter-of-fact statement of past or present events, or the philosopher who is satisfied with society as it at present exists, to close the book, as the few remaining paragraphs will afford him no nutriment, and may even supply an irritant which will effectually prevent the comfortable digestion of the preceding narrative, and of the statistics contained in the Appendix.

Have we citizens of Great Britain then any certain ground for faith or even for hope that through the concurrent action of the Co-operative and trade

union organization we shall attain Robert Owen's New System of Society ; a state in which the earnings of all workers will represent efficient citizenship, while all citizens will render willing service according to their highest ability? The answer, I fear, is no longer doubtful. Even if Trade Unionists and Co-operators worked in unison, voluntary association, though an admirable training and convincing example, would be found wanting as a sole and all-sufficient method of social reform.

For the Co-operative movement, though a striking and imposing example of a complete solution of the administrative difficulties of an industrial democracy, forms at the present time an altogether insignificant part of the national industry. The total capital of the country is estimated at ten thousand millions. Only twelve millions of this is administered by voluntary associations of consumers. But the enthusiastic Co-operator will ask : why not develop the voluntary system of democratic Co-operation until it embraces the whole field of industry? It may be well, therefore, to inquire briefly into the probable social and economic limits to the further extension of this form of democratic self-government.

The first barrier to an indefinite extension of the Co-operative movement under the present social system are the conditions of life of certain classes. Men living below a certain standard of life, or in isolation, populations continually shifting their abode and changing their occupation, are incapable of voluntary association, whether as consumers or producers. The hand-to-mouth existence of the casual labourer, the physical inertia of the sweater's victim, the vagrant

habits and irregular desires of the street hawker, and of the mongrel inhabitants of the common lodging-house—in short, the restlessness or mortal weariness arising from lack of nourishment, tempered by idleness, or intensified by physical exhaustion, do not permit the development, in the individual or the class, of the qualities of democratic association and democratic self-government. We need no demonstration of the truth of this fact; it is the burden of complaint at Trade Union and Co-operative Congresses. Thus, I imagine, it is no mere coincidence that Co-operative and trade union organizations flourish best in state-regulated trades, such as textile and mining industries; while the wage-earners of Birmingham and London, at work in their homes, or in workshops that escape regulation, are apparently incapable of association as consumers or producers. The labour history of the last fifty years tells us plainly that legislative regulation—the outcome of *compulsory association*—is the only effectual instrument for raising the condition of certain classes to the social plane upon which voluntary association becomes possible. But whether or not we admit that the absence of legislative restriction is the principle cause of this incompetency, it is indisputable that about four-fifths of the wage-earning class are outside the Co-operative and trade union movements.

Poverty and irregular habits form a lower limit to the growth of Co-operation. Fastidiousness and the indifference bred of luxury constitute a higher limit to the desire or capacity for democratic self-government. The upper and middle class, with incomes altogether out of proportion to their actual

needs, demand the servility of the profit-making traders and the irregular and diversified production of profit-making manufacturers. The business-like despatch and quick answers of the Store official jar on the sensitive feelings of the great lady, accustomed to the silent subservience and immediate acquiescence of well-bred servants, paid to wait on her pleasure and convenience. The caprices of fashion, the vagaries of personal vanity and over-indulged appetites can find no satisfaction in an organization of industry based on the supply of rational and persistent wants. Moreover, the severe mental strain consequent on the conscientious expenditure of a large income, or the apathy of a mechanical satisfaction of every want disinclines the wealthy customer for the responsibilities of association. Physical nausea and mental exhaustion are the common ailments of the rich, as well as the complaints of the very poor: while the love of personal possessions, and the spirit of rivalry engendered by social ambition, effectually withdraw the surplus energies of the well-to-do classes from any form of democratic association. To bring, therefore, the great bulk of the middle and upper class expenditure within the jurisdiction of the Co-operative movement we should be forced to impose a graduated income-tax amounting to something like twenty shillings in the pound, on all incomes over £400 a year. Propaganda among the rich is as futile as propaganda among the very poor; if the Co-operators "mean business" with those classes of society, they must add certain items to their political programme the character of which there is no need to specify.

The social limits are not the only boundaries of the Co-operative State. The administrative limits are, if anything, more important. For the group of citizens who administer a Store or the Wholesale Society are necessarily the actual consumers of commodities or services supplied through those organizations. Now this special form of democracy does not always form a possible or desirable and administrative group. We cannot imagine the Calais and Dover Line of steamers being owned and managed by the actual passengers. If it were deemed desirable that the community should undertake this service, we should, follow the example of the Belgian Government in the service of the Ostend and Dover route, and the central government would provide a national line of steamers. Again, the most ardent Co-operator who aimed at the communal administration of railways, would hardly contend that the proper administrative group for the London and North Western was the passengers and traders who used it. All persons, whether or no they travel by rail, are indirectly interested in the means of transit as consumers or producers of articles upon which carriage is paid. Hence an important body of consumers would be disfranchised; while the difficulty of gathering together a genuinely and permanently representative body of the different classes of passengers and traders would render a steady and uniform administrative policy impossible. In the single instance of a consumer's organization undertaking the means of transit—the Liverpool Docks—the franchise has been limited to traders paying at least £10 annual dues, so as to form, from out of the casual and

scattered constituency of customers, a responsible body of proprietors permanently interested in the good management of the docks. And even on the Mersey Docks Harbour Board the community at large is directly represented by four nominees of the government.

Hence in some of the largest and most important industries an open democracy of consumers forms an undesirable or impossible constituency for representative self-government. But this is by no means the most important administrative limit. In all cases of a national or artificial monopoly the actual consumer is an improper representative of the community. We could not, for instance, endow the farmers and agricultural labourers with the land of the nation; no body of proprietors which excluded any portion of the community would be a satisfactory constituency. If our mineral wealth were to be nationalized, the mines would not be handed over to the colliery proprietors or even to the coal miners. Moreover, when consumption is compulsory, association must also be compulsory. The provision of such articles of universal consumption as water, gas, roads, street-lights, must obviously be undertaken by a compulsory association of consumers, if we desire to maintain an industrial democracy. For instance, if the Sheffield Store had undertaken to raise the two and a half millions recently paid by that municipality for its water-works, it is obvious that the Sheffield Co-operative Society would have become a combination of capitalists making profit or suffering loss by a speculative supply of the wants of those Sheffield citizens who, through ignorance or indifference,

remained outside the association. In other words, we should again have returned to the individualist system of industry, with its advantages and disadvantages—a form of society which we are not at present discussing.

And in this example of the Sheffield Store we touch on a financial as well as an administrative limit to the rapid growth of Co-operative compared to other forms of democratic enterprise. While a municipality, through the collective power of compulsory association, can raise millions every year by its assessment on the citizens, the Store accumulates capital at a snail's pace. Compare the 300 millions of property administered, according to Mr. Giffen, by municipalities in 1885 (gas-works alone standing at 21 millions) with the 12 millions of Co-operative capital. To sum up, therefore, these obvious limits to the Co-operative commonwealth, we may state that all the larger forms of national wealth, such as land, means of transit, and all commodities of compulsory consumption—gas, water, sanitary appliances, etc.—are excluded from the possible domain of voluntary associations of consumers.

But the statement of the boundaries of the Co-operative State is not yet complete. The whole national export trade is necessarily excluded. For here it is obvious that administration by an open democracy of actual consumers cannot even exist unless we await the miraculous conversion of the hordes of China and the savages of Africa to the doctrines of Robert Owen. It is, of course, conceivable that the Store system might be developed among other Anglo-Saxon nations with whom we trade, and

that a relationship such as exists between the Scotch and English Wholesale Societies might be established in the corresponding central establishments of Australasia, Canada, America, and Great Britain. But other forms of socialism seem likely to obtain in Australasia; and the American people, intent on personal gain, show neither desire nor capacity for any form of government other than a nominal democracy ruled by a corrupt plutocracy. On the other hand, the British Stores and Wholesale Societies might frankly engage in a profitable export trade with the merchants of foreign countries; or they might export surplus manufacture, so as to obtain the increasing return from manufacturing on a large scale in those industries in which they are already engaged. But the danger to the integrity and prosperity of the Co-operative movement of this step is easily demonstrated. All the economic advantages of the control of production by the actual consumers are abandoned. Once again Co-operators taste the forbidden fruit of industry—profit on price. Supposing the profit from the export trade became a considerable portion of their total income, voluntary associations of consumers, able at any moment to limit their numbers, would be sorely tempted to close their doors to new-comers. Thus the Wholesale Societies might be transformed into profit-making machines of capitalist producers, and the habit of trading with non-members abroad might be rapidly extended into the custom of trading with non-members at home. With the quotation of the shares of the Stores and the Wholesale Societies on the Stock Exchange, rising and falling in value with the advent of a new directorate, or

the rumour of a foreign war, the whole fabric of the Rochdale system might fall into disrepair, if not into hopeless ruin, by internal competition between societies, or combination among them against the interests of the whole community.

Thus, those of us who believe in the millennium of a fully developed industrial democracy, perceive in the national export trade the last resort of capitalist administration of industry. No mere voluntary association of Co-operators can undertake the export trade. Here again the only possible participation of democratic Co-operation would bring us rapidly back to the individualist system—profit on price for individual gain. Should these industries therefore eventually fall into the hands of the representatives of a democracy, they must obviously be administered by the public organization of the whole people—that is by the State or the municipality. For in this manner only can the profits, which will necessarily accrue from dealings with other States, be accumulated for the benefit, or distributed for the satisfaction of the whole body of citizens.

The limits of the probable domain of the Co-operative State are now all within sight. Voluntary associations of consumers are practically restricted to the provision of certain articles of personal use, the production of which is not necessarily a monopoly, the consumption of which is not absolutely compulsory, and for which the demand is large and constant. Under the present social system a restricted portion only of the nation is within reach of a social democracy—that intermediate class neither too poor nor too wealthy for democratic self-government. Let

us attempt to reduce these limits to a statistical form in relation to the total income of the United Kingdom. I must however warn the reader that I offer with all reserve the following estimate, with the hypothetical figures upon which it is based. I use these figures as a convenient form of summing up certain arguments, and not as an accurate calculation of the present or future possibilities of the Co-operative movement.

Let us assume that Co-operators, although unwilling to reduce the incomes of the well-to-do classes by legislative measures, were determined to use their political power to level up the standard of life among the degraded classes to the plane of voluntary association. Assuming, moreover, that in this attempt they were successful, the Stores and dependent federal institutions might then hope to attract the whole expenditure of working-class income within their sphere. Of the 1,300 millions of national income, 500 millions, at most, is attributed by statisticians to the wage-earning class. From this let us deduct 100 millions for rent, gas and water rates, and taxes. The commodities or services which these charges represent, we have already shown to be outside any possible extension of the Co-operative system. Another seventy millions of working-class income is spent in alcohol; no Co-operator proposes to undertake the provision of spirits and beer to the Co-operative world. We have therefore a remainder of 300 to 350 millions. Hence this sum might represent the Co-operative trade. But it is needless to remind the reader that the income of the working class, and more especially that proportion of it which could be spent

at the Store, is capable of almost indefinite increase. For instance, the "drink bill" would probably be reduced to a modest pittance if all working men developed the qualities of democratic self-government. And without any recourse to socialistic measures, the gross income of the working class might be considerably enlarged. But there is every reason to suppose that the same conditions of increased intelligence and sobriety among the workers would enable capitalists to obtain larger returns and landlords to exact higher rent. In other words, whatever might be the increase of the total wealth of the nation, the proportionate share of the workers in the national income would, other things being equal, remain the same.

The trade of the working-class Stores therefore might, even under the present social circumstances, increase from the present turnover of 35 millions to the 350 millions of working-class income spent in household provisions. Narrower limits are set to Co-operative manufacturing. A very small proportion of these commodities could be produced under the Co-operative system of industry. Imports of food and tobacco constitute the great bulk of the wage-earner's consumption. Of the remainder, we must subtract what is spent, not on new commodities, but on second-hand articles, which have already passed through the hands of the well-to-do classes, of which there is undoubtedly a large working-class consumption. And lastly we are face to face with the economic limit of the unit of productivity—I mean a sufficiently large demand for any one article to allow of profitable manufacture. For instance, the

Wholesale Society has hitherto felt itself unable, in spite of the proximity of its chief centre to the great cotton industry, to undertake the manufacture of cotton cloth. The range of variety in calicoes and prints bought by the working class, render the quantity of any one quality or style demanded by Co-operators too small for profitable manufacture even by their central institution. This unit of productivity is the blank wall which Co-operators have already discerned as the practical barrier to democratic manufacturing. I need not, however, point out that this barrier to Co-operative manufacture would be pushed further and further by the extension of Co-operative trade.

To sum up this rough estimate, therefore, we can hardly conceive that the Co-operative turnover, under the present social conditions, could exceed 300 to 400 millions—a trade which would only admit of 75 millions of capital, should the present ratio between Co-operative capital and trade be maintained. As the working-class capital is estimated at the present time at 169 millions, we shall therefore always be face to face with the present difficulty of using the capital of the working class in the Stores and the Wholesale Societies.

Hence Co-operators are right in asserting that they will always have a superabundance of capital at their command for which the democratic school of Co-operators can find no employment. We may confidently predict therefore, that the individualist school of Co-operators, should I be mistaken in my view of the economic and administrative obstacles to the realization of their ideal of the self-governing workshop,

and should they succeed in converting the British working class to their principles, would always have at their disposal a large margin of working-class capital. The custom of the wealthy, anxious to secure quality, and able to pay a good price for a good article, and stimulated to benevolent interest in individualist effort by fear of approaching socialism, might become the happy hunting ground of the self-governing workshop; while the whole export trade might be transferred to industrial partnerships, with their autocratic capitalist administration and profit-sharing wage-system. Thus the various forms of Co-operative enterprise need not compete. The individualist school of Co-operators, in fact, if they surmount purely economic obstacles, will find that their antagonists are the Trade Unions, and not the officials of the Stores or the directors of the Wholesale Societies.

I have refused to consider one limit to the administrative capacity of the Co-operative organization frequently described by the opponents of the democratic form of Co-operation—the centralized government of the Wholesale Societies. First, because I believe that the constitutional structure of these Federations is indefinitely elastic and adaptable. Secondly, because I imagine that the administration of some seventy-five millions of capital, and the organization of a trade of some 350 millions, though an arduous undertaking, is not beyond the capacity of the present Store system, even if the constitutions of their dependent Federations were to remain unchanged.

These then are the external boundaries to the possible domain of the voluntary associations of con-

sumers. But there are also internal obstacles to the realization of the dream of the enthusiastic Co-operator—the absorption by a Co-operative community of the whole of the tribute now levied on the workers by those who "toil not, neither do they spin." A large portion of the income of the community is paid, not for personal services rendered to the nation, but to capitalists and landlords. Co-operators do not escape the payment of this tax. For, like the Owenite communities actually established, the members of the Store and the Wholesale Societies, surrounded by a competitive system of industry, cannot escape the tribute of rent and interest even within their own domain. Doubtless with regard to the interest on the twelve millions of Co-operative capital, it is credited to associates, that is to say, it is charged on the consumption of all members and paid to a minority of capitalist Co-operators. The rent of land, however, is usually, if not always, levied by an outsider, either in the form of technical rent or as interest on the capital expended in the purchase of the freehold. The Bury Store, for instance, cannot escape the tax of Lord Derby's rental; the fact that the Society may have acquired a freehold does not alter the position, since Lord Derby extracts from this community of workers the interest on the capital paid to him as purchase money. Hence the Co-operative system of industry has taken only one step forward in completing the work of the industrial revolution foreshadowed by Robert Owen. Through the open democracy of the Store it has exchanged an individualist for a social administration of industry, and thus secured the profits of enterprise for the commu-

nity at large. This first step, however, is the most difficult. The democratic administration of industry involves the possession of active intellectual and moral qualities; whereas the inhabitants of hospitals and asylums are equal to the passive receipt of rent and interest. But the British Co-operative movement has left the ownership of land and the means of subsistence in the hands of individuals, whether within or without the Co-operative State. If the English democracy therefore wish to complete the social changes prophetically described in Robert Owen's New System of Society, if they are determined to add to the social production of wealth (brought about by the new industry) to the communal administration and control (introduced by the Co-operative and trade union movements) the communal ownership of land and the means of production, they must use deliberately the instruments forged by political democracy, taxation in all its forms on unearned wealth and surplus incomes, and compulsory acquisition, not necessarily without personal compensation, of those portions of the national wealth ripe for democratic administration. And we have ample precedent for class taxation, and personal compensation, as a method whereby the democracy may acquire or control the instruments of production. A Conservative government recently proposed to use the drink tax to buy out the publicans; a Radical government might suggest a land tax to buy out the landlords, and doubtless Mr. Ritchie, as Chancellor of the Exchequer in a future Conservative government, will impose a graduated Municipal Death Duty on real property, whereby the dwellings as well as the

streets might gradually become the property of the corporation. But, like the details of a reformed Poor Law, these measures of relief to a class overburdened with property are without the scope of an essay on that form of democratic industry known as the Co-operative movement.

In conclusion, I would emphatically re-assert that the social, administrative and economic boundaries of the Co-operative State by no means limit the power of Co-operators in our national life. The gathering together of the whole working class in a Co-operative Union on the one hand, and in a Federation of Trade Unions on the other, would make the workers practically paramount in the State. The organization of workers as consumers would effectually prevent any attempt on the part of capitalists and landlords to bribe certain sections of the working class by the promise of high money wages to support a protectionist policy in its legislative form, import duties, or, in its economic form, trusts and capitalist combinations to raise prices. And if the officials of these twin Federations, representing the primeval interests of consumption and production, were to unite in solemn compact, then it would be comparatively easy to weed out of the community those who consume without producing, the parasites of all classes; while those who at present produce without consuming their full portion would be raised to a higher place in the national banquet. That this result cannot be accomplished without resort to legislation, the outcome of compulsory association, has, I think, been clearly demonstrated. But before we can have a fully developed democracy, the nation at large must

possess those moral characteristics which have enabled Co-operators to introduce democratic self-government into a certain portion of the industry, commerce and finance of the nation. It is, therefore as moral reformers that Co-operators pre-eminently deserve the place in the vanguard of human progress. While completing and extending their domain to its furthermost limits, Co-operators should deliberately introduce their methods and experience into the administration of the parish, the municipality, the county and the State ; thus fulfilling by the sure but slow process of democratic self-government Robert Owen's Co-operative system of industry.

Thus the two distinct bodies of social reformers created by the teaching of Robert Owen—British Co-operators and British Socialists, once again united by a common desire for industrial democracy under the banner of Radical Reform, may accept as a full and complete expression of their aims and methods the noble words of that great democrat John Bright: —"I believe that ignorance and suffering might be lessened to an incalculable extent, and that many an Eden, beauteous in flowers and rich in fruits, might be raised up in the waste wilderness which spreads before us. But no class can do that. The class which has hitherto ruled in this country has failed miserably. It revels in power and wealth, while at its feet, a terrible peril for its future, lies the multitude which it has neglected. If a class has failed, let us try the nation. That is our faith, that is our purpose, that is our cry—let us try the nation. This it is which has called together these countless numbers of the people to demand a change ; and, as I think of it, and

of these gatherings, sublime in their vastness and in their resolution, I think I see, as it was, above the hilltops of time, the glimmerings of the dawn of a better and nobler day for the country and the people that I love so well."

APPENDIX I.

CLASSIFIED TABLE OF ASSOCIATIONS OF PRODUCERS (page 137).

CLASS I.—*Associations of workers selecting Committee of Management from among themselves and employing members only.*

Name of Society.	Registered.	Annual Sales.	Profits.			Capital (including Loan).		Shareholders.		Employees.			Committee-men who are Employees.
			Capital.	Labour.	Trade	Subscribed by Employees.	Total.	Shareholders.	Employees who are Shareholders.	Outdoor.	Indoor.	Total.	
		£	£	£	£	£	£						
Leicester Manufacturing Boot and Shoe	1887	13,160	180	390	195	870	4,040	708	170	40	130	170	10
Kettering Manufacturing Boot and Shoe	1888	5,061	54	109	66	446	1,891	271	79	55	24	79	7
Coventry Watch Makers	1876	2,940	67	65	65	671	1,600	102	52	mostly		52	6
London Bookbinders	1885	667	*			5	419	83	9	0	7	7	2
Dudley Nailmakers	1874	564	*			41	41	12	12	7	5	12	all
Brighton Artizans	1888	176	*			19	32	35	27	27	0	27	all
Bromsgrove Nail-forgers	1888	265	*			263	263	170	16	15	1	16	2
Nelson Self-Help	1888	26,790	*			2,180	2,190	76	75			120	8
	Age	49,623				4,495	10,476	1,457	440			483	
Average	5¾ yrs.	6,202				561	1,309	182	55			60	

CLASS II.—*Associations similar to Class I., but which have bound themselves over or had imposed on them an irremovable Governor or irremovable Committee-men.*†

Name of Society.	Registered.	Annual Sales.	Profits.			Capital (including Loan).		Shareholders.		Employees.			Committee-men who are Employees.
			Capital.	Labour.	Trade	Subscribed by Employees.	Total.	Shareholders.	Employees who are Shareholders.	Outdoor.	Indoor.	Total.	
		£	£	£	£	£	£						
Co-operative Builders (Brixton)	1888	21,156	27	626		400	3,738	172	172 (all)	num	ber v	aries	8
Thomson & Sons	1886	24,418	*			433	4,045	161	62			130	3
Scotch Tweed	1890	—	*			1,868	9,809	299	31		90	90	1
Burnley Self-Help	1886	39,904	302			2,975	6,803	286	130			257	all
	Age	85,478				5,676	24,395	918	395			477	
Average	2y. 6m.	28,492				1,419	6,098	229	98			159	

* The division of profits is not given; for losses see Central Board Report.

† The Oak Mount Self-Help is an extreme instance of this type. The Bromley Builders may also, I understand, be included in this class. I have not been

Name of Society.	Registered.	Annual Sales.	Profits.			Capital (including Loan).		Shareholders.	Employees who are Shareholders.	Employees.			Committee-men who are Employees.
			Capital.	Labour.	Trade.	Subscribed by Employees.	Total.			Outdoor.	Indoor.	Total.	
		£	£	£	£	£	£						
Dunfermline Manufacturing	1872	959	*			106	1,074	98	8		16	16	5
Manchester Wheelwrights.	1888	629	*			192	312	47	3		9	9	1
Atherston Hat	1890	not given	*			142	1,190	70	20	10	45	55	2
London Bass Dressers . .	1889	715	4	9	9	9	659	131	7		9	9	2
London Cigarette Makers.	1887	7,868	*			57	376	55	11		20	20	5
Leek Silk Twist.	1874	6,978	115	55		267	1,558	42	27	2	39	41	1
Paisley Manufacturing . .	1862	35,641	667	239	1819	290	23,047	637	28	65	120	185	2
Leicester Elastic Web . .	1878	12,279	5			400	1,900	8	2		50	50	2
Raunds Boot and Shoe† .	1887	6,588	40	200		mostly	613	14	14	150	10	160	all
Northampton Boot & Shoe	1888	not given	*			not given	290	150	10	16	2	18	1
Northamptonshire Boot & Shoe†	1881	11,586	165	218		837	978	42	32	116	13	129	all
Finedon Boot and Shoe†.	1886	14,004	*			1,318	1,538	28	28	mostly		134	all
Tingdene Boot and Shoe†.	1888	4,706	15			690	690	29	29	46	12	58	all
Norwich Boot and Shoe .	1885	1,788	12	26	78	23	363	202	8	10	5	15	1
Bristol Pioneers Boot and Shoe.	1889	814	*			120	500	65	30	22	11	33	5
Dudley Bucket and Fender	1888	3,009	55	28		335	625	8	3		30	30	3
Midland Nail-makers . .	1882	1,111	*			192	327	8	5	15		15	5
Walsall Padlock-makers† .	1873	11,737	63	479		610	2,086	42	36	20	163	183	all
Midland Tin Plate . . .	1887	2,281	*				906	79	5		32	32	0
Sheffield Cutlery. . . .	1873	1,245	11	16	38	200	634	58	20	10	30	40	4
Walsall Cart and Gear . .	1887	116	*			6	83	24	4		8	8	4
	Age	124,054				5,794	39,749	1,837	330			1,240	
Average . .	7y. 4m.	6,529				321	1,892	87	15			59	

* The division of profits is not given; for losses see Central Board Report.

† These five societies give work out to middle-men or small masters. I have not enquired whether other societies in this class employ middle-men or sub-contractors.

CLASS IV.—*Societies in which outside Shareholders and Stores supply bulk of Capital, but in which the Employees are encouraged or compelled to take Shares, but are, in nearly all instances, disqualified from acting on Committee of Management.*†

INDUSTRIAL PARTNERSHIPS.

Name of Society.	Registered.	Annual Sales.	Profits.			Capital (including Loan).		Shareholders.	Employees who are Shareholders.	Employees.			Employees who are Committee-men.
			Capital.	Labour.	Trade.	Subscribed by Employees.	Total.			Outdoor.	Indoor.	Total.	
		£	£	£	£	£	£						
Hebden Bridge Fustian .	1870	33,347	1,446	390	870	4,634	34,072	684	231		260	260	0
Leicester Hosiery . . .	1876	15,146	317	56	209	173	5,631	215	23	48	91	139	0
Eccles Manufacturing (Cotton)	1860	19,407	706			254	1,404	344	24			98	0
Airedale Manufacturing (Woollen)	1872	10,567	394	29	321	166	3,491	240	15		21	21	0
Macclesfield Silk . .	1888	188	*			very little	2,712	183	8	15	15	30	0
Newcastle Furnishing . .	1873	12,698	*			55	15,786	73	10	4	89	93	0
Co-operative Sundries (Droylesden)	1885	3,387	42	14	34	500	2,500	118	48	2	39	41	0
Manchester Printing . .	1869	50,660	1,567	395	403	663	16,086	536	71			330	0
Edinburgh Printing . .	1873	9,270	688	216		very little	11,923	132	very few		73	73	0
Needlewomen's Association	1887	not given	*			0	1,105	not given	0		60	60	0
Lancashire and Yorkshire (Woollen)	1873	24,530	*			0	2,640	22	0			90	0
Alcester Productive (Needles)	1888	189	9	2	2	not given	477	118	13	6	14	20	0
Long Melford (Mats) . .	1887	1,110	14			45	406	85	12		19	19	0
	Age	179,499				6,490	98,233	2,750	455			1,274	
Average	13 yrs.	14,958				649	7,556	229	37			98	

* The division of profits is not given; for losses see Central Board Report.

† The Keighley Iron-workers may be included in this class: no employee sits on the committee, though the rules permit the employees to

Name of Society.	Registered.	Annual Sales.	Profits. Capital.	Profits. Labour.	Profits. Trade.	Capital (including Loan). Subscribed by Employees.	Capital (including Loan). Total.	Shareholders.	Employees who are Shareholders.	Employees. Outdoor.	Employees. Indoor.	Employees. Total.	Committee-men who are Employees.
		£	£	£	£	£	£						
Assington	1883	1,327	*			10	2,309	281	5			10	1
Radbourne	1884	1,514	*			0	2,800	9	0			8	3
Ufton	1885	1,345	*			0	2,650	9	0			8	3
North Seaton	1872	594	28			10	110	95	5	3	2	5	0
Scottish Farming	1886	1,278	*			10	2,503	222	1			17	0
	Age	6,058				30	10,372	616	11			48	
Average	8 years	1,211				6	2,074	123	2			9	

Industrial Provident Societies which have become practically Joint Stock Associations.

	Capital.	Sales.
Rochdale Manufacturing £	150,002	206,490
Keighley Iron Works †	2,160	3,543
North Shields Fishing	2,631	2,575
Co-operative Newspaper	2,750	8,768
Howley Park, Morley	11,950	13,766
Staveley Bobbin	2,530	4,107
	172,023	239,249

Unaccounted for in Classification.

	Capital.	Sales.
Oxford House Decorating £		
Hinckley Hosiery	239	750
Sheepshed Hosiery	190	64
Bozeat Manufacturing	805	4,422
London Productive	2,118	1,986
	3,352	7,222

* The division of profits is not given; for losses see Central Board Report. † See note to Class IV.

(The statistics with regard to Members, Employees, the total capital, and the amount subscribed by the Employees have been obtained direct from the societies by the writer or through Mr. Benjamin Jones: those relating to the annual sales and profits are copied from the Central Board Report for 1890: the average age is calculated to 1890.)

APPENDIX II.

Extract from Letter from D. F. Schloss referred to in note to page 166.

"I have satisfied myself that the lasters employed at the factory of the Leicester Co-operative Boot and Shoe Manufacturing Society, who before the establishment of that Society worked in the factory at West End of the Co-operative Wholesale Society, have never so far earned, in wages and bonus together, more money for the same amount of work than they used to earn when working at West End in wages alone. For some time after the Bede Street Factory began working, the lasters certainly earned (in bonus and wages together) less money than they would have earned at West End. The reasons given to me were: (1) That the leather used in Bede Street was harder to work than that used at West End, and (2) that at the West End factory the "lines" were much larger than in Bede Street. A laster making a great number of boots of an identical type, gets his hand in to the work, and can produce far more in a given time than if his work constantly changes from one type to another. I should explain that in both cases the full Trade Union piece wage is paid. I am assured that since the trade done at Bede Street is constantly increasing in volume, there is now very little difference between the earning of the lasters at Bede Street (bonus and wages together) and those of men employed on similar work at West End (wages alone)."

APPENDIX III.

Co-operative Sales for 1889, in £ per 100 of the Population in various Counties and Parliamentary Divisions of Counties in Great Britain.

(*See Maps.*)

ENGLAND.	
Bedfordshire . . .	14·66
Berkshire.	
Newbury Division . .	47·16
Remainder	3·30
Buckinghamshire.	
Buckingham Division	36·84
Remainder	6·03
Cambridgeshire.	
Chesterton Division .	39·32

Remainder	5·20
CHESHIRE.	
Hyde Division . . .	217·72
Crewe Division . . .	339·65
Altrincham Division .	140·
Macclesfield Division	132·72
Northwich Division .	191·37
Remainder	7·82
CORNWALL	6·06
CUMBERLAND.	
Eskdale Division . .	215·66
Egremont Division .	307·04
Penrith Division . .	28·26
Cockermouth Division	158·
DERBYSHIRE.	
South Division . . .	209·55
Chesterfield Division .	103·63
High Peak Division .	396·22
Remainder	23·50
DEVONSHIRE.	
Totnes Division . .	153·54
Remainder	8·22
DORSETSHIRE.	
South Division . . .	24·48
Remainder	2·11
DURHAM.	
Jarrow Division . . .	164·16
Houghton le Spring Division	166·66
Chester le Street Division	841·60
North-West Division .	93·22
Mid Division . . .	735·17
South-Eastern Division	94·27
Bishop Auckland Division	458·33
Barnard Castle Division	89·65
ESSEX.	
Maldon Division . .	72·54
Romford, Walthamstow, and South-Eastern Divisions . . .	69·79
Harwich Division . .	80·
Chelmsford Division .	18·51
Remainder	Nil.
GLOUCESTERSHIRE.	
Tewkesbury Division .	94·73
Remainder	15·92
HAMPSHIRE.	
Fareham Division . .	19·02
Remainder	0·40
HEREFORDSHIRE . . .	4·92
HERTFORDSHIRE.	
Watford Division . .	40·
Remainder	4·72
HUNTINGDONSHIRE.	
Huntingdon Division .	25·92
Remainder	Nil.
KENT.	
Medway Division . .	59·68
Faversham Division .	136·36
Remainder	22·58
LANCASHIRE.	
North Lonsdale Division	222·68
Lancaster Division .	187·03
Blackpool Division .	139·10
Chorley Division . .	64·40
Darwen Division . .	296·72
Clitheroe Division . .	325·58
Accrington Division .	273·05
Rossendale Division .	364·28
West Houghton Division	302·38
Heywood Division .	489·62
Middleton Division .	430·08

Radcliffe cum Farnworth Division Eccles Division Stretford Division Gorton Division Prestwich Division Leigh Division	204·17
Southport Division	46·55
Ormskirk Division	Nil.
Bootle Division	1·56
Widnes Division	166·66
Newton Division	103·20
Ince Division	8·91
LEICESTERSHIRE.	
Melton Division	Nil.
Loughborough Division	104·04
Bosworth Division	92·15
South Harboro' Division	29·78
LINCOLNSHIRE.	
Gainsborough Division	194·31
Remainder	12·30
MIDDLESEX	5·13
London (out of three counties)	10·54
MONMOUTHSHIRE.	
South Division	50·
West Division	10·71
Remainder	Nil.
NORFOLK.	
South-Western Division	41·66
South Division	19·56
Remainder	2·32
NORTHAMPTONSHIRE.	
Mid Division	75·70
East Division	206·
North Division	95·71
South Division	25·
NORTHUMBERLAND.	
Wansbeck Division	454·87
Hexham Division	51·85
Tyneside Division	260·66
Berwick Division	39·28
NOTTINGHAMSHIRE.	
Mansfield Division	84·90
Newark Division	21·56
Bassetlaw Division	60·
Rushcliffe Division	60·75
OXFORDSHIRE.	
Woodstock Division	36·89
Banbury Division	166·66
Henley Division	Nil.
SHROPSHIRE	4·8.
SOMERSETSHIRE	17·
STAFFORDSHIRE	9·82
SUFFOLK.	
Woodbridge Division	54·71
Remainder	15·70
SURREY	6·74
SUSSEX.	
Horsham Division	27·45
Remainder	5·01
WARWICKSHIRE.	
Rugby Division	125·
Tamworth Division	7·08
Nuneaton Division	50·
Stratford-on-Avon Division	65·95
WESTMORELAND.	
Appleby Division	38·70
Kendal Division	121·21
WILTSHIRE.	
Cricklade Division	35·41
Remainder	4·73

WORCESTERSHIRE . .	37·10
YORKSHIRE.	
Holderness Division .	Nil.
Buckrose Division . .	2·40
Howdenshire Division	7·84
Thirsk & Malton Division	9·16
Richmond Division .	Nil.
Cleveland Division. .	137·12
Whitby Division . .	37·28
Skipton Division . .	217·54
Keighley Division . .	366·66
Shipley Division . .	218·97
Sowerby Division . .	511·66
Elland Division . .	196·99
Morley Division . .	424·03
Normanton Division .	221·64
Colne Valley Division	535·
Holmfirth Division .	60·93
Barnsley Division . .	529·03
Hallamshire Division.	39·01
Rotherham Division .	146·15
Doncaster Division .	131·74
Ripon Division . . .	21·15
Otley Division . . .	177·19
Barkston Ash Division	10·20
Osgoldcross Division.	66·17
Pudsey Division . .	220·
Spen Valley Division.	874 07

WALES.

CARNARVONSHIRE .	3·36
DENBIGHSHIRE.	
East Division . . .	11·90
Remainder	Nil.
FLINTSHIRE	5·
GLAMORGANSHIRE.	
East Division . . .	179·78
Remainder	10·42
MERIONETHSHIRE . .	23·63
MONTGOMERYSHIRE. .	10·60
PEMBROKESHIRE . . .	6·52

SCOTLAND.

ABERDEENSHIRE.	
East Division . . .	13·25
Remainder	Nil.
ARGYLLSHIRE	5·26
AYRSHIRE.	
North Division . .	171·32
South Division . . .	50·
BANFFSHIRE	19·04
BERWICKSHIRE . . .	5·71
BUTESHIRE	11·11
CAITHNESS-SHIRE . .	56·41
CLACKMANNAN AND KINROSS . . .	543·75
DUMBARTONSHIRE . .	281·33
DUMFRIESSHIRE . .	63·15
EDINBURGHSHIRE . .	166·83
FIFESHIRE.	
West Division . . .	296·29
East Division . . .	169·01
FORFARSHIRE	139·47
HADDINGTONSHIRE . .	157·89
INVERNESS-SHIRE . .	2·22
KINCARDINESHIRE . .	14·70
LANARKSHIRE.	
North-West Divi ion .	72·70
North-East Division .	282·08
Mid Division . . .	146·55
South Division . . .	126·78
LINLITHGOWSHIRE . .	413·95
PEEBLES AND SELKIRK	364·10
PERTHSHIRE.	
East Division . . .	152·56
West Division . . .	47·91
RENFREWSHIRE.	
East Division . . .	231·48
West Division . . .	202·28
ROXBURGHSHIRE. . .	38·40
STIRLINGSHIRE . . .	368·75

Localization of Failures.

(Page 186.)

Between the years 1870–1889, there were registered in England and Wales 844 Associations of Consumers which have ceased to exist. The numbers may be localized by counties as follows :—

Beds	5	Leicester	17
Berks	5	Lincoln	16
Brecknock	4	Middlesex	99
Bucks	11	Monmouth	17
Cambs	3	Montgomery	1
Carmarthen	4	Norfolk	12
Carnarvon	4	Northampton	34
Chester	10	Northumberland	12
Cornwall	10	Nottingham	14
Cumberland	14	Oxford	7
Denbigh	5	Pembroke	2
Derby	21	Radnor	1
Devon	10	Shropshire	13
Dorset	9	Somerset	10
Durham	44	Southampton	11
Essex	13	Stafford	39
Flint	2	Suffolk	10
Glamorgan	40	Surrey	46
Gloucester	13	Sussex	11
Hereford	10	Warwick	20
Hertford	10	Westmoreland	3
Hunts	1	Wilts	11
Kent	36	Worcester	6
Lancs	69	Yorks	79

INDEX.

Agricultural societies, 30, 147
Amalgamated Society of Engineers, 124, 136
Associations of producers, 117, 156
Associations ouvrières, 119
Association, spirit of, 32
Associations, Society for Promoting Working Men's, 119, 123

Baking societies, 43, 134
Banking, co-operative, 99
Barham Downs corn mill, 42
Bounty to labour, 129
Briggs & Co., experiment of, 135, 137, 162
Brighton Union Shop, 44, 51
Brougham, Lord, 38
Bryce, Rt. Hon. James, 76, 113
Buchez, 119
Burdett, Sir F., 32
Burnley Self-help societies, 141, 164

Campbell, Alexander, 67, 78
Cartwright, Major, 32
Central Co-operative Board, 90, 170, 172-85
Character, Owen's essays on, 17; dependence of co-operation on, 91; its effect on, 222
Chartism, 17, 54, 56, 61
Christian Socialists, 118, 135, 147, 154, 167, 171, 179
Cigarmakers' Society, 143
Civil Service stores, 70
Competition, creed of, 18
Cobbett, William, 32-5
Conferences, co-operative, 88
Congress, Co-operative, 172-81
Co-operation, origin of, 17; the two forms of, 40, 75; early attempts at, 42-51; causes of failure of, 51-3; re-birth of at Rochdale, 59-68; democratic basis of, 69; individualism and federalism in, 75; in Scotland, 77; federation in, 89, 102; moral and social value of, 189-93; effect of on wages, 194-5; relation of to Trade Unionism, 196-204, 216-22; relation of to "sweating," 220; relation of to Socialism, 202, 226, 229; inherent difficulties of, 187; inevitable limits to, 225-30
Co-operative builders, 140
" *News, the*, 29, 99, 137, 181
" Union, the, 90, 170, 172, 85

Co-operative wholesale societies, origin of, 40; North of England, 89, 94, 98; English, 40, 83, 98, 103, 177, 181; Scottish, 40, 89, 102; relation of to Co-operative Union, 181; differences in constitution of, 102-6; difficulties of, 108
Corn mills, co-operative, 42, 80
Crossley & Co., experiment of, 135

Devonport corn mill, 43
Dissent, relation to Democracy of religious, 37
Distress, Owen's explanation of the causes of, 21, 26
Distributive and productive co-operation, wrong classification of co-operative societies into, 40
Dividend on purchase, 70; at Rochdale, 63-67; at Meltham, 67; in North of England Wholesale Society, 94; effects of, 191

Ely, Dr. R. T, 119
Employees, position of, 73-76; 112-115
,, claim of to profits, 159
Equitable Labour Exchange, 50

Factory acts, 15, 57
Factory system, growth of, 8-12
Federalist co-operators, 76
Federation, tendency to, 84
Fox, Head & Co., experiment of, 135-137
France, co-operation in, 119

General Redemption societies, 38, 78, 80
Gray, Mr. J. C., vi., 112
Gray's Inn Road Labour Exchange, 47
Greening's, Mr. E. O., experiment in industrial partnership, 135-137
Greenwood, Mr. Abraham, 93, 129
Habeas Corpus Act, suspension of in 1817, 2
Handicraft production, description of, 3-4-8; contrasted with factory production, 4
Hebden Bridge fustian cutters, 144
Hetherington, Henry, 17-56
Holyoake, Mr. G. J., 45, 56, 60, 108, 128, 177
Howarth, Charles, 17, 61
Hughes, Judge, 119, 125, 135, 172, 177, 183
Hull Co-operative Corn Mill, 42

Individualist co-operation, definition of, 75; in corn mills, 79-82; the origin of, 118-121; Christian Socialist attempts at, 121-125; in Lancashire, 125-130; in the iron trade, 135-136; in woollen and other trades, 135-137; analysis of present forms of, 139; details of existing experiments in, 139-149; causes of failure, 149-153; results of, 157-159
Industrial revolution, the, 2-12
"Inquiry into causes of present high prices," 42

Jenkin, Fleeming, 218
Jevons, Prof. W. S., 127
Joint stock companies, rise of, 126
Jones, Mr. Benjamin, vi., 39, 112, 121, 137, 139
Jones, Lloyd, 125

King, Dr., 53
Kingsley, Rev. Charles, 123

Labour Exchanges, 47
Laisser faire, doctrine of, 7
Lancashire, 37, 93, 125
Lassalle, Ferdinand, and co-operation, 194
Law in relation to co-operative societies, 51, 67, 124
Le Chevalier, 122
Limited liability companies, 126, 131, 133
Lovett, William, 17, 53, 56
Ludlow, Mr. J. M., 119, 122, 125, 127, 135, 171
Macculloch, 5
Machinery, effects of introduction of, 8, 9
Maine, Sir Henry, 28
Malthus, 11
Married Women's Property Act, 72
Marshall, Prof. A., 25, 110, 117
Marx, Karl, 47, 48
Maurice, Rev. F. D., 119, 122
Maxwell, Mr. William, 114
Merchants, petition of, 1820, 5
Mitchell, Mr. William, 113, 142
Morris, Mr. William, 28
Morrison, Mr. Walter, 135

Neale, E. Vansittart, 118, 125, 135, 171
New Lanark, 13
North of England Co-operative Wholesale Society, 89, 94
North of England Conference Association, 173
Nuttall, Mr. W., 94, 130
O'Connor, Fergus, 57
Oldman, Mr. F., vi.
Oldham Cotton mills, 129
Owen, Robert, 1; and New Lanark, 13; and Factory Acts, 15; and Socialism, 16; his "New System of Society," 17-19; proposal to eliminate profit, 21; as to cost of production, 22; his "Causes of the Present Distress," 26; and the Reform movement, 30; and labour exchanges, 47; his system, how far realised, 205-7

Penny postage, effects of, 88
Place, Francis, 32
Price, Mr. L. L. F. R., 162
Production and distribution, alleged difference between, 108-113
Productive Co-operation, wrong classification, 40; analysis of, 75, 48, 139, 157

Profit, analysis of, 64, 96; division of, 61; Owen's view of, 21, 155
Profit-sharing, 21, 96, 114; Messrs. Briggs' trial of, 135, 154-157, 159-169; trade union, objections to, 160-163

Quarterly Review on the Union Shop movement of 1829, 51

Ralahine, 30
Redemption societies, 38, 78, 80
Reform movement, 33
Religious revival of 18th century, effect of on the growth of self-governing faculties, 36-37
Rochdale pioneers, the, 59, 88, 92
Rosebery, Lord, 116

Scotland, distribution of co-operation in, *map facing preface;* rise of co-operation in, 77; Scottish Wholesale Society, institution of, 89; constitution of, 103, 105; Scotch Tweed Society, 140
Schloss, Mr. D. F., 159, 166
Sheerness Baking Society, 43
Shirtmaking, co-operative, 105
Shuttleworth, Sir J. H., 128
Socialism, Co-operation in relation to, 202, 226, 279; Christian, 118, 135, 154; of Robert Owen, 16.
Smithies, James, 74
Spencer, Mr. Herbert, 91
Steuart, Sir James, 12
Strikes resulting in co-operative societies, 125, 127

Taylor, Mr. Sedley, 154
Ten hours movement, relation of co-operation to, 61
Thompson, William, 47-50
Thompson, Mr. William, of Huddersfield, 140, 157
Tomlinson, Ambrose, 61
Trade unions, 38, 54, 56, 84; and individualist co-operation, 136; and profit-sharing, 162-165; relation of to co-operation, 195, 201, 217
Union Shops of 1828-32, 44, 51

Value, influence of theories of, 47
Valleroux, Hubert, 119

Wages, Owen's theory of, 22
Watson, James, 17, 56
Whitby Union mill, 43
Whitehead, Mr., vi.
Wholesale societies, see co-operative wholesale societies
Wigan weaver, anecdote of, 32
Women, place of, in co-operation, 72, 191
Women's Co-operative Guild, 193
" Working Class Limiteds," 126, 131
Workshop, the self-governing, 108, 120, 153

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